

VILLAGE OF KINGSLEY, MICHIGAN

FEBRUARY 28, 2007

VILLAGE OF KINGSLEY, MICHIGAN

FEBRUARY 28, 2007

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May 8, 2007

INDEPENDENT AUDITORS' REPORT

To the President and Village Council
Village of Kingsley, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Village of Kingsley, Michigan, as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Kingsley, Michigan's, management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Kingsley, Michigan, as of February 28, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2007, on our consideration of the Village of Kingsley, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through xii and 36, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Kingsley, Michigan's, basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Village of Kingsley, Michigan. The other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

VILLAGE OF KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2007

Management's Discussion and Analysis

The management of the Village of Kingsley, Michigan ("the Village") offers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2007, for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Village's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

Government-Wide

- ❖ The assets of the Village exceeded its liabilities at the close of this fiscal year by \$9,247,614 (shown as *Net Assets*), representing an increase of \$1,430,161 over the previous fiscal year. Governmental Funds represented \$1,229,462 of this increase, while Business-Type activities accounted for \$200,699 of the increase.

Fund Level Financial Highlights

- ❖ As of February 28, 2007, the governmental funds of the Village of Kingsley reported combined ending fund balances of \$1,120,557 of which \$313,247 is unreserved.
- ❖ The unreserved fund balance of the Village's General Fund decreased this year to \$234,015.

Long-Term Debt

- ❖ The Village of Kingsley's total debt decreased by \$96,812 during the fiscal year to \$1,701,964.

Overview of the Financial Statements

The Village of Kingsley's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the Village's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the Village as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

The *Statement of Net Assets* (Pages 1-2) presents information on all of the Village's assets and liabilities, the difference between the two being reported as the Net Assets of the Village. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. An increase in net assets would indicate an improvement in financial

VILLAGE OF KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2007

condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (Page 3) gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the Village that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the Village include general government, public safety, major and local streets, public works, culture and recreation. Business-type activities of the Village include water and sewer utility services.

Focus on Funds

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. The Village's major Governmental Funds include the General Fund, Major Street Fund, Local Street Fund, Recreational Complex Fund, South Brownson Capital Project Fund and the Oil, Gas and Mineral Trust Fund. The major Proprietary Funds include the Water Fund and Sewer Fund. Presentation of major funds can be found on pages 40-60 of this document.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Village of Kingsley uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Many of the Village's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in Fund Balance as an expenditure. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds for the Village include the General Fund as well as the special revenue, capital project, and permanent funds.

Proprietary Funds Proprietary funds account for services for which the Village charges its customers for the services they are provided. These charges can be to external customers or other agencies within the Village. There are two types of proprietary funds:

VILLAGE OF KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2007

- Enterprise funds are used to report business-like activities of the Village. These activities intend to recover the full cost of the services through the fees charged to the customers. The Village has two enterprise funds, which are the Water Fund and Sewer Fund.
- Internal Service funds are the second type of proprietary funds. These funds provide services to other departments within the Village. This fund allows the Village to allocate costs of centralized services such as the Village's vehicles and equipment. The Village has one internal service fund.

Component Units The Village's annual financial report includes reporting on separate legal entities for which the Village has some level of financial responsibility. These funds are shown in a separate column. The Village's only component unit is the Downtown Development Authority.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on page 19 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements. This information can be found on pages 36-38 of this report.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Village's financial position over time. The Net Assets of the Village are \$9,247,614 at February 28, 2007, meaning that the Village's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in net assets over the previous fiscal year.

VILLAGE OF KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2007

Village of Kingsley						
Net Assets						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 1,239,289	\$ 1,425,018	\$ 811,141	\$1,246,384	\$ 2,050,430	\$ 2,671,402
Capital Assets	<u>3,097,690</u>	<u>1,853,830</u>	<u>5,918,933</u>	<u>5,655,678</u>	<u>9,016,623</u>	<u>7,509,508</u>
Total Assets	<u>\$ 4,336,979</u>	<u>\$ 3,278,848</u>	<u>\$ 6,730,074</u>	<u>\$ 6,902,062</u>	<u>\$ 11,067,053</u>	<u>\$ 10,180,910</u>
Long-term liabilities	\$ 22,356	\$ 60,092	\$1,615,308	\$1,676,212	\$ 1,637,664	\$ 1,736,304
Other liabilities	<u>106,280</u>	<u>243,365</u>	<u>75,495</u>	<u>383,787</u>	<u>181,775</u>	<u>627,153</u>
Total Liabilities	<u>\$ 128,636</u>	<u>\$ 303,457</u>	<u>\$ 1,690,803</u>	<u>\$ 2,059,999</u>	<u>\$ 1,819,439</u>	<u>\$ 2,363,457</u>
Net Assets						
Invested in capital assets						
net of related debt	\$ 3,070,034	\$ 1,791,452	\$4,244,625	\$3,835,856	\$ 7,314,659	\$ 5,627,308
Restricted	807,310	769,914	0	0	807,310	769,914
Unrestricted	<u>330,999</u>	<u>414,025</u>	<u>794,646</u>	<u>1,006,207</u>	<u>1,125,645</u>	<u>1,420,231</u>
Total Net Assets	<u>\$ 4,208,343</u>	<u>\$ 2,975,391</u>	<u>\$ 5,039,271</u>	<u>\$ 4,842,063</u>	<u>\$ 9,247,614</u>	<u>\$ 7,817,453</u>

The most significant portion of the Village's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Village used to acquire or construct the asset. The Village has \$1,125,645 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Village policies regarding their use.

The total net assets of the Village increased \$1,430,161 in this fiscal year, which is a good indicator that the Village experienced positive financial growth during the year. As a result, the Village ended the fiscal year in better condition than when the year started.

The following table illustrates and summarizes the results of the changes in the Net Assets for the Village. The condensed information was derived from the Government-Wide Statement of Activities.

VILLAGE OF KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2007

*Village of Kingsley
Change in Net Assets*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 34,682	\$ 19,781	\$ 509,266	\$ 517,003	\$ 543,948	\$ 536,784
Operating Grants and Contributions	122,414	118,831	0	0	122,414	118,831
Capital Grants	755,655	278,378	376,826	1,225,606	1,132,481	1,503,984
General Revenues					0	
Property Taxes	233,578	217,699	0	0	233,578	217,699
State Shared Revenue	136,503	138,101	0	0	136,503	138,101
Unrestricted Investment Earnings	69,761	49,627	41,843	45,403	111,604	95,030
Gain (Loss) on Sale of Assets	4,100	0	10,000	0	14,100	0
Other	5,458	0	198	0	5,656	0
Transfers	212,715	940	0	0	212,715	940
Total Revenues	<u>\$1,574,866</u>	<u>\$ 823,357</u>	<u>\$ 938,133</u>	<u>\$1,788,012</u>	<u>\$ 2,512,999</u>	<u>\$2,611,369</u>
<u>Expenses</u>						
General Government	\$ 135,423	\$ 96,780	\$ 0	\$ 0	\$ 135,423	\$ 96,780
Public Safety	6,355	6,921	0	0	6,355	6,921
Public Works	62,412	291,575	0	0	62,412	291,575
Planning	27,118	30,064	0	0	27,118	30,064
Recreation and Culture	42,057	26,289	0	0	42,057	26,289
Other Functions	67,039	57,030	0	0	67,039	57,030
Trust Fund	5,000	5,000	0	0	5,000	5,000
Water and Sewer	0	0	524,719	0	524,719	
Transfers	0	0	212,715	798,504	212,715	798,504
Total Expenses	<u>\$ 345,404</u>	<u>\$ 513,659</u>	<u>\$ 737,434</u>	<u>\$ 798,504</u>	<u>\$ 1,082,838</u>	<u>\$1,312,163</u>
 Increase in Net Assets	 \$1,229,462	 \$ 309,698	 \$ 200,699	 \$ 989,508	 \$ 1,430,161	 \$1,299,206
Beginning Net Assets	2,978,881	2,669,183	4,838,572	3,849,064	7,817,453	6,518,247
Ending Net Assets	<u>\$4,208,343</u>	<u>\$2,978,881</u>	<u>\$5,039,271</u>	<u>\$4,838,572</u>	<u>\$ 9,247,614</u>	<u>\$7,817,453</u>

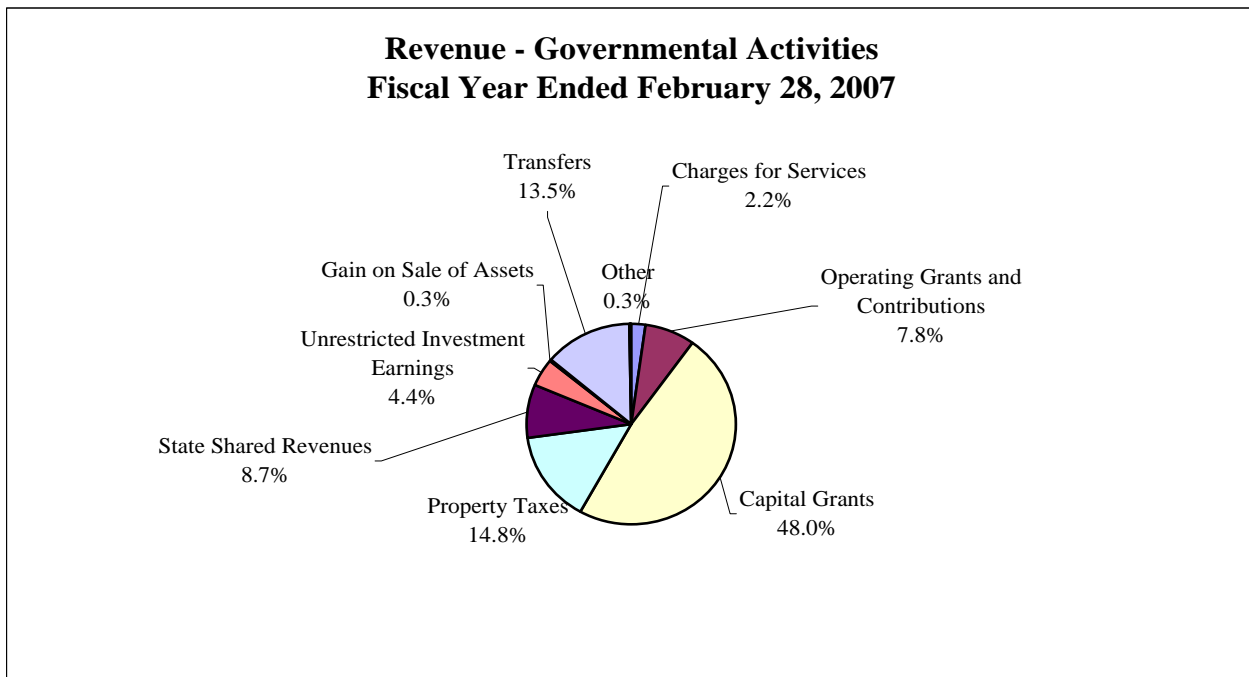
VILLAGE OF KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2007

Governmental Activities

The following chart details the revenue sources for the governmental activities of the Village for the fiscal year ended February 28, 2007:



The most significant portion of the revenue for all governmental activities of the Village of Kingsley comes from Capital Grants and Contributions. This figure includes Community Development Block grant money for the South Brownson Capital Project Fund.

Property Taxes are a significant portion of the revenue for all governmental activities of the Village. The Village's operating millage in 2007 was 9.9351 mills. The Village's charter allows the Village to levy up to 12.5 mills for operations. Due to State statutes, the Village is currently at its maximum tax levy, and is unable to increase the millage without the approval of the voters.

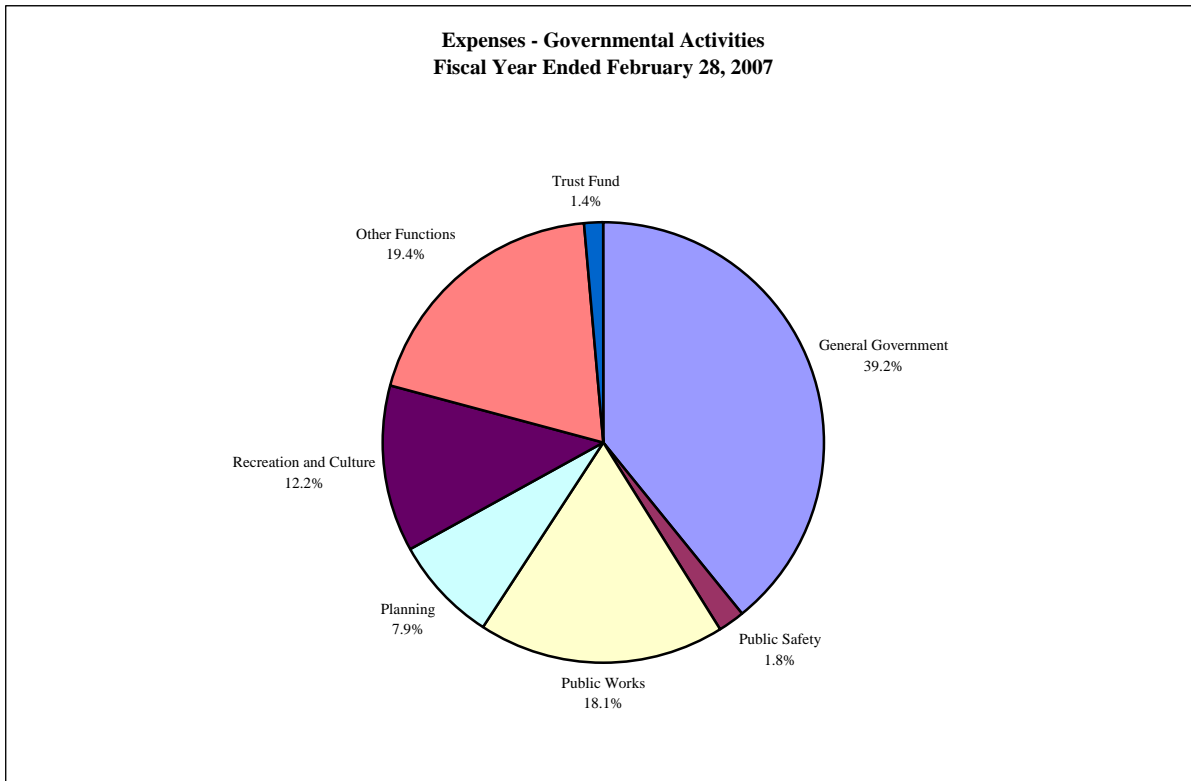
State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In 2007, the amount of state shared revenue received by the Village once again trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The following chart depicts expenses of the governmental activities of the Village for the fiscal year ended February 28, 2007:

VILLAGE OF KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2007



The Village's governmental activities expenses are dominated by the General Government expenses that total 39.2% of total expenses. The Village spent \$135,423 in FY2006/2007 on General Government. Other Functions represented the next largest expense at \$67,039, or 19.4% of total expenses within the governmental activities.

Business-Type Activities

The Village's business-type activities accounted for an increase of \$200,699 in the Village's Net Assets, or about 14.0% of the total growth in the Village's net assets for the fiscal year ended February 28, 2007.

The Business-type activities of the Village include the Water Fund and Sewer Fund, which provide water and sewer utility services to Village residents as well as commercial customers.

The Water and Sewer activity represents the business-type activities of the Village. Water activity accounts for 21.0% of the total expenses and 64.3% of the total revenue of the business-type activities. Sewer activity accounts for 79.0% of the total expenses and 35.7% of the total revenue of the business-type activities.

VILLAGE OF KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2007

Financial Analysis of the Government's Funds

Governmental Activities At the completion of the Village's fiscal year ended February 28, 2007, its governmental funds reported fund balances of \$1,120,557. Of this amount, \$313,247, or 28.0% is unreserved. This amount includes \$67,506 designated for street improvements and \$11,726 for civic improvements. There is \$234,015 of unreserved and undesignated fund balance. The remaining \$807,310 of fund balance of the governmental funds is reserved for specific purposes and is therefore not available for new appropriation.

General Fund – The General Fund is the main operating fund of the Village. The General Fund decreased its fund balance in this fiscal year by \$11,964, bringing the balance to \$234,015. All of the General Fund's major functions with the exception of Legislative and General Government ended the year with expenditures below appropriated amounts. Property tax revenues in the General Fund increased \$15,879 in 2007, an increase of 6.8%. State shared revenue decreased by \$1,217 from the amount received in the previous fiscal year, representing a 0.9% reduction which resulted from State actions in response to the economic slowdown experienced throughout the State.

Major Street Fund – The fund balance of the Major Street Fund ended the year at \$60,628. This was an increase of \$17,781 from the previous year.

Local Street Fund – The Local Street Fund completed \$5,625 in Street Construction and Improvements in this fiscal year. The Local Street Fund increased its fund balance in this fiscal year by \$6,098, bringing the balance to \$6,878.

Proprietary Funds The Village's proprietary funds provide virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

Water Fund – The Water Fund ended this fiscal year with \$364,745 in unrestricted net assets. Charges for services yielded an overall increase in operating revenues of \$858, a 0.5% increase. This fund experienced an increase in interest income of \$11,389, or 64.7% from the previous fiscal year. The net assets of this fund increased by \$448,800 in 2007. This fund remains in sound fiscal condition moving forward.

Sewer Fund – The Sewer Fund ended this fiscal year with \$429,984 in unrestricted net assets. Charges for services yielded an overall decrease in operating revenues of \$3,437, a 1.2% decrease. This fund experienced an increase in interest income of \$4,251, or 21.3% from the previous fiscal year. The net assets of this fund decreased by \$248,018 in 2007. This fund remains in sound fiscal condition moving forward.

VILLAGE OF KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2007

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for the governmental and business-type activities as of February 28, 2007 amounted to \$9,016,623 (net of accumulated depreciation). Capital assets of the Village include any items purchased that cost in excess of \$1,000 and have an expected useful life of over one year. The Village has invested in a broad range of capital assets, as detailed below:

Major capital asset events during FY2006/2007 included the following:

- South Brownson Capital Projects Construction \$1,191,660.
- Purchased 207 Brownson property at a cost of \$150,008.
- Water System Improvements \$1,207,186.
- Sewer System Improvements \$68,785.
- Civic Center South Construction \$297,566.

Additional information regarding the Village's capital assets can be found in the Notes to Financial Statements.

***Village of Kingsley Outstanding Debt
Contracts and Revenue Bonds
as of February 28, 2007***

	Governmental Activities	Business-Type Activities	Total Primary Government
Contracts and Notes	\$ 27,656	\$ 55,308	\$ 82,964
Revenue Bonds	0	1,619,000	1,619,000
Total	<u>\$ 27,656</u>	<u>\$ 1,674,308</u>	<u>\$ 1,701,964</u>

The total debt decreased from \$1,802,959 at February 28, 2006, to \$1,706,147 at February 28, 2007, a net decrease of \$96,812. More information on the Village's long-term debt is available in the Notes to Financial Statements section of this document.

VILLAGE OF KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2007

Economic Condition & Future Outlook

- The Village has a few projects in the upcoming year. A new water main will be run down M-113, as well as a water system improvement project on Clark, Whipple and Pearl Street. A portion of the projects will be funded by a Community Development Block Grant.
- The village also plans on constructing a new Library and Village office in the near future that management is currently trying to find a grant for.
- The Village plans on paying off the 1992 Water Bonds in October of 2007.

Contacting the Village's Finance Department

This financial report is designed to provide the wide variety of users of this document with a general overview of the Village's finances and demonstrate the Village's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the Village of Kingsley, P.O. Box 208, Kingsley, Michigan 49649, or call us at (231)263-7778.

VILLAGE OF KINGSLEY, MICHIGAN

STATEMENT OF NET ASSETS

FEBRUARY 28, 2007

	PRIMARY GOVERNMENT			
	GOVERNMENTAL	BUSINESS		COMPONENT
	ACTIVITIES	TYPE	TOTALS	UNIT
	ACTIVITIES	ACTIVITIES		
<u>ASSETS</u>				
Cash	\$ 449,719	\$ 745,728	\$ 1,195,447	\$ 151,347
Investments	724,808	0	724,808	0
Receivables				
Taxes	580	0	580	290
Accounts	1,342	48,024	49,366	0
Accrued Interest	6,577	0	6,577	0
Internal Balances	1,083	(1,083)	0	0
Due from Other Governments	51,746	0	51,746	353
Prepaid Expenses	3,434	11,719	15,153	0
Total Current Assets	\$ 1,239,289	\$ 804,388	\$ 2,043,677	\$ 151,990
<u>CAPITAL ASSETS</u>				
Land and Land Improvements	\$ 664,763	\$ 343,171	\$ 1,007,934	\$ 0
Infrastructure	2,257,617	0	2,257,617	0
Buildings	270,069	346,375	616,444	0
Machinery and Equipment	531,337	410,678	942,015	0
Office Equipment and Fixtures	22,445	24,938	47,383	0
Water and Sewer Systems	0	6,789,897	6,789,897	0
	\$ 3,746,231	\$ 7,915,059	\$ 11,661,290	\$ 0
Less Accumulated Depreciation	648,541	1,996,126	2,644,667	0
Net Capital Assets	\$ 3,097,690	\$ 5,918,933	\$ 9,016,623	\$ 0
<u>OTHER ASSETS</u>				
Bond Issuance Costs	\$ 0	\$ 6,753	\$ 6,753	\$ 0
TOTAL ASSETS	\$ 4,336,979	\$ 6,730,074	\$ 11,067,053	\$ 151,990

The accompanying notes are an integral part of the financial statements.

	PRIMARY GOVERNMENT			
	BUSINESS			
	GOVERNMENTAL	TYPE	TOTALS	COMPONENT
	ACTIVITIES	ACTIVITIES		UNIT
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 60,811	\$ 9,192	\$ 70,003	\$ 0
Customer Deposits	9,730	4,775	14,505	0
Accrued Expenditures	1,650	0	1,650	0
Due to Other Governments	5,015	0	5,015	7,111
Internal Balances	19,591	(19,591)	0	0
Accrued Interest Payable	0	22,119	22,119	2,468
Deferred Revenue	0	0	0	135,000
Current Portion of Long-Term Debt	9,483	59,000	68,483	5,000
Total Current Liabilities	\$ 106,280	\$ 75,495	\$ 181,775	\$ 149,579
<u>LONG-TERM LIABILITIES</u>				
Revenue Bonds - Net of Current Portions	\$ 0	\$ 1,582,000	\$ 1,582,000	\$ 225,000
Notes Payable - Net of Current Portion	18,173	33,308	51,481	0
Accrued Compensated Absences	4,183	0	4,183	0
Total Long-Term Liabilities	\$ 22,356	\$ 1,615,308	\$ 1,637,664	\$ 225,000
TOTAL LIABILITIES	\$ 128,636	\$ 1,690,803	\$ 1,819,439	\$ 374,579
<u>EQUITY</u>				
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 3,070,034	\$ 4,244,625	\$ 7,314,659	\$ 0
Restricted for:				
Endowments	721,982	0	721,982	0
Civic Improvements	85,328	0	85,328	0
Unrestricted	330,999	794,646	1,125,645	(222,589)
TOTAL NET ASSET	\$ 4,208,343	\$ 5,039,271	\$ 9,247,614	\$ (222,589)

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS				
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNIT	
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS		
<u>PRIMARY GOVERNMENT</u>									
<u>GOVERNMENTAL ACTIVITIES</u>									
General Government	\$ 135,423	\$ 32,977	\$ 0	\$ 0	\$ (102,446)	\$ 0	\$ (102,446)	\$ 0	
Public Safety	6,355	1,005	0	0	(5,350)	0	(5,350)	0	
Public Works	62,412	0	102,599	755,655	795,842	0	795,842	0	
Planning	27,118	0	0	0	(27,118)	0	(27,118)	0	
Recreation and Culture	42,057	700	19,815	0	(21,542)	0	(21,542)	0	
Other Functions	67,039	0	0	0	(67,039)	0	(67,039)	0	
Trust Fund Activities	5,000	0	0	0	(5,000)	0	(5,000)	0	
Total Governmental Activities	\$ 345,404	\$ 34,682	\$ 122,414	\$ 755,655	\$ 567,347	\$ 0	\$ 567,347	\$ 0	
<u>BUSINESS-TYPE ACTIVITIES</u>									
Water and Sewer Systems	\$ 524,719	\$ 509,266	\$ 0	\$ 376,826	\$ 0	\$ 361,373	\$ 361,373	\$ 0	
TOTAL PRIMARY GOVERNMENT	\$ 870,123	\$ 543,948	\$ 122,414	\$ 1,132,481	\$ 567,347	\$ 361,373	\$ 928,720	\$ 0	
<u>COMPONENT UNIT</u>									
Non-Major Component Units	\$ 267,133	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (267,133)	
<u>GENERAL REVENUES</u>									
Property Tax					\$ 233,578	\$ 0	\$ 233,578	\$ 23,129	
State Shared Revenue					136,503	0	136,503	0	
Investment Earnings					69,761	41,843	111,604	8,968	
Gain on Sale of Capital Assets					4,100	10,000	14,100	0	
Other					5,458	198	5,656	0	
<u>TRANSFERS</u>					212,715	(212,715)	0	0	
Total General Revenues					\$ 662,115	\$ (160,674)	\$ 501,441	\$ 32,097	
Change in Net Assets					\$ 1,229,462	\$ 200,699	\$ 1,430,161	\$ (235,036)	
NET ASSETS - Beginning of Year					2,978,881	4,838,572	7,817,453	12,447	
NET ASSETS - End of Year					\$ 4,208,343	\$ 5,039,271	\$ 9,247,614	\$ (222,589)	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
GOVERNMENTAL FUNDS

BALANCE SHEET
FEBRUARY 28, 2007

	GENERAL	MAJOR STREET	LOCAL STREET	RECREATIONAL COMPLEX	SOUTH BROWNSON	OIL, GAS AND MINERAL	TOTALS
<u>ASSETS</u>							
Cash	\$ 232,881	\$ 52,360	\$ 12,320	\$ 16,730	\$ 500	\$ 75,925	\$ 390,716
Investments	0	0	0	0	0	724,808	724,808
Receivables							
Taxes	580	0	0	0	0	0	580
Accounts	1,342	0	0	0	0	0	1,342
Accrued Interest	0	0	0	0	0	6,577	6,577
Due from Other Funds	12,713	0	0	0	0	0	12,713
Due from Other Governments	22,668	17,656	5,209	0	6,213	0	51,746
 TOTAL ASSETS	 \$ 270,184	 \$ 70,016	 \$ 17,529	 \$ 16,730	 \$ 6,713	 \$ 807,310	 \$ 1,188,482
<u>LIABILITIES AND FUND BALANCE</u>							
<u>LIABILITIES</u>							
Accounts Payable	\$ 15,674	\$ 249	\$ 199	\$ 4	\$ 0	\$ 0	\$ 16,126
Customer Deposits	9,730	0	0	0	0	0	9,730
Accrued Expenditures	1,650	0	0	0	0	0	1,650
Due to Other Funds	4,100	9,139	10,452	5,000	6,713	0	35,404
Due to Other Governments	5,015	0	0	0	0	0	5,015
Total Liabilities	\$ 36,169	\$ 9,388	\$ 10,651	\$ 5,004	\$ 6,713	\$ 0	\$ 67,925

The accompanying notes are an integral part of the financial statements.

	GENERAL	MAJOR STREET	LOCAL STREET	RECREATIONAL COMPLEX	SOUTH BROWNSON	OIL, GAS AND MINERAL	TOTALS
<u>FUND BALANCE</u>							
Reserved for:							
Endowments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 721,982	\$ 721,982
Civic Improvements	0	0	0	0	0	85,328	85,328
Unreserved:							
Designated for:							
Street Improvements	0	60,628	6,878	0	0	0	67,506
Civic Improvements	0	0	0	11,726	0	0	11,726
Undesignated	234,015	0	0	0	0	0	234,015
Total Fund Balance	<u>\$ 234,015</u>	<u>\$ 60,628</u>	<u>\$ 6,878</u>	<u>\$ 11,726</u>	<u>\$ 0</u>	<u>\$ 807,310</u>	<u>\$ 1,120,557</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 270,184</u>	<u>\$ 70,016</u>	<u>\$ 17,529</u>	<u>\$ 16,730</u>	<u>\$ 6,713</u>	<u>\$ 807,310</u>	<u>\$ 1,188,482</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2007

Total Fund Balances for Governmental Funds	\$ 1,120,557
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$ 664,763	
Infrastructure	2,257,617	
Buildings	270,069	
Machinery and Equipment	164,717	
Office Equipment	22,445	
Accumulated Depreciation and Amortization	<u>(472,508)</u>	2,907,103

Internal service funds are used by management to charge costs of Village
maintenance equipment to individual funds. The assets and liabilities
of the internal service funds are included in governmental activities
in the Statement of Net Assets.

212,439

Internal service funds are used by management to charge costs of
certain activities, such as equipment rental, to individual funds. The net
result of the look-back adjustment as it relates to enterprise fund customers
are treated as interfund payables and receivables between governmental
activities and business-type activities.

83

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds.

Notes Payable	\$ (27,656)	
Compensated Absences	<u>(4,183)</u>	<u>(31,839)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 4,208,343</u></u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED FEBRUARY 28, 2007

	GENERAL	MAJOR STREET	LOCAL STREET	RECREATIONAL COMPLEX	SOUTH BROWNSON	OIL, MINERAL AND GAS	TOTALS
<u>REVENUES</u>							
Taxes	\$ 233,578	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 233,578
Licenses and Permits	9,406	0	0	0	0	0	9,406
Federal Grants	0	0	0	0	755,655	0	755,655
State Grants	132,031	73,748	33,323	0	0	0	239,102
Contributions from Local Units	0	0	0	13,500	0	0	13,500
Interest and Rents	36,259	3,221	746	1,715	0	52,396	94,337
Other Revenue	104,283	0	0	7,186	0	0	111,469
Total Revenues	\$ 515,557	\$ 76,969	\$ 34,069	\$ 22,401	\$ 755,655	\$ 52,396	\$ 1,457,047
<u>EXPENDITURES</u>							
Legislative	\$ 21,333	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,333
General Government	369,915	0	0	0	0	0	369,915
Public Safety	6,355	0	0	0	0	0	6,355
Public Works	211,599	51,688	35,471	0	755,655	0	1,054,413
Planning	27,118	0	0	0	0	0	27,118
Recreation and Culture	0	0	0	65,192	0	0	65,192
Other Functions	101,762	0	0	0	0	0	101,762
Trust Fund Activities	0	0	0	0	0	5,000	5,000
Total Expenditures	\$ 738,082	\$ 51,688	\$ 35,471	\$ 65,192	\$ 755,655	\$ 5,000	\$ 1,651,088
Excess (Deficiency) of Revenues Over Expenditures	\$ (222,525)	\$ 25,281	\$ (1,402)	\$ (42,791)	\$ 0	\$ 47,396	\$ (194,041)

The accompanying notes are an integral part of the financial statements.

	GENERAL	MAJOR STREET	LOCAL STREET	RECREATIONAL COMPLEX	SOUTH BROWNSON	OIL, MINERAL AND GAS	TOTALS
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers In	\$ 212,715	\$ 0	\$ 7,500	\$ 12,154	\$ 0	\$ 0	\$ 232,369
Transfers Out	(2,154)	(7,500)	0	0	0	(10,000)	(19,654)
Total Other Financing Sources (Uses)	\$ 210,561	\$ (7,500)	\$ 7,500	\$ 12,154	\$ 0	\$ (10,000)	\$ 212,715
Net Change in Fund Balance	\$ (11,964)	\$ 17,781	\$ 6,098	\$ (30,637)	\$ 0	\$ 37,396	\$ 18,674
<u>FUND BALANCE</u> - Beginning of Year	245,979	42,847	780	42,363	0	769,914	1,101,883
<u>FUND BALANCE</u> - End of Year	\$ 234,015	\$ 60,628	\$ 6,878	\$ 11,726	\$ 0	\$ 807,310	\$ 1,120,557

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2007

Net change in Fund Balance - Total Governmental Funds \$ 18,674

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation in the statement of activities.

Depreciation Expense	\$ (60,711)	
Capital Outlay	<u>1,229,438</u>	1,168,727

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities). 34,723

Employees compensated absences are reported on the accrual method in the statement of activities, and recorded as expenditures when financial resources are used in the governmental funds.

Compensated Absences - Beginning of Year	\$ 7,599	
Compensated Absences - End of Year	<u>(4,183)</u>	3,416

Internal service funds are used by management to charge costs of the motor pool, to individual funds. The net revenue (expense) of the internal service fund is reported within the governmental activities.

3,922

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$1,229,462</u></u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
FEBRUARY 28, 2007

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			INTERNAL
	MAJOR FUNDS			SERVICE
	WATER	SEWER	TOTAL	FUND
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$ 351,221	\$ 394,507	\$ 745,728	\$ 59,003
Receivables				
Accounts	13,445	34,579	48,024	0
Due from Other Funds	0	19,591	19,591	4,100
Prepaid Expense	3,877	7,842	11,719	3,434
Total Current Assets	\$ 368,543	\$ 456,519	\$ 825,062	\$ 66,537
<u>NONCURRENT ASSETS</u>				
<u>CAPITAL ASSETS</u>				
Land and Land Improvements	\$ 30,928	\$ 312,243	\$ 343,171	\$ 0
Buildings and Improvements	37,521	308,854	346,375	0
Water and Sewer Systems	2,469,719	4,320,178	6,789,897	0
Machinery and Equipment	6,679	403,999	410,678	366,620
Furniture and Fixtures	0	24,938	24,938	0
	\$ 2,544,847	\$ 5,370,212	\$ 7,915,059	\$ 366,620
Less Accumulated Depreciation	625,711	1,370,415	1,996,126	176,033
Net Capital Assets	\$ 1,919,136	\$ 3,999,797	\$ 5,918,933	\$ 190,587
<u>OTHER ASSETS</u>				
Bond Issuance Costs (Net of Amortization)	\$ 6,753	\$ 0	\$ 6,753	\$ 0
TOTAL ASSETS	\$ 2,294,432	\$ 4,456,316	\$ 6,750,748	\$ 257,124

The accompanying notes are an integral part of the financial statements.

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			INTERNAL
	MAJOR FUNDS			SERVICE
	WATER	SEWER	TOTAL	FUND
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 1,142	\$ 8,050	\$ 9,192	\$ 44,685
Customer Deposits	4,775	0	4,775	0
Due to Other Funds	0	1,000	1,000	0
Bonds Payable - Current	25,000	12,000	37,000	0
Installment Purchase Agreement - Current	11,000	11,000	22,000	0
Accrued Interest Payable	4,634	17,485	22,119	0
Total Current Liabilities	\$ 46,551	\$ 49,535	\$ 96,086	\$ 44,685
<u>LONG-TERM LIABILITIES - Net of Current Portion</u>				
Revenue Bonds	\$ 395,000	\$ 1,187,000	\$ 1,582,000	\$ 0
Installment Purchase Agreement	16,654	16,654	33,308	0
Total Long-Term Liabilities	\$ 411,654	\$ 1,203,654	\$ 1,615,308	\$ 0
TOTAL LIABILITIES	\$ 458,205	\$ 1,253,189	\$ 1,711,394	\$ 44,685
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 1,471,482	\$ 2,773,143	\$ 4,244,625	\$ 190,587
Unrestricted	364,745	429,984	794,729	21,852
TOTAL NET ASSETS	\$ 1,836,227	\$ 3,203,127	\$ 5,039,354	\$ 212,439

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
PROPRIETARY FUNDS

RECONCILIATION OF THE STATEMENT OF NET ASSETS OF PROPRIETARY FUNDS
TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2007

Total Net Assets - Total Proprietary Funds	\$ 5,039,354
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Amounts reported for proprietary activities in the statement of
net assets are different because:

Internal service funds are used by management to charge costs of
equipment rental to individual funds. The assets and liabilities
of the internal service funds are allocated to business type activities
This creates an internal balance referred to as the crossover amount
which needs to be adjusted for.

(83)

NET ASSETS OF PROPRIETARY FUNDS	<u>\$ 5,039,271</u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED FEBRUARY 28, 2007

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>INTERNAL</u>
	<u>MAJOR FUNDS</u>			<u>SERVICE</u>
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>	<u>FUND</u>
<u>OPERATING REVENUES</u>				
Operating Revenues	\$ 188,101	\$ 280,983	\$ 469,084	\$ 59,957
<u>OPERATING EXPENSES</u>				
Salaries and Wages	\$ 34,032	\$ 21,831	\$ 55,863	\$ 13,496
Contracted Services	0	82,239	82,239	0
Operating Supplies	13,568	2,908	16,476	9,654
Meters	3,574	0	3,574	0
Postage and Office Supplies	1,241	873	2,114	1,270
Bank Service Charges	1,220	15	1,235	0
Professional Services	853	1,998	2,851	401
Legal Fees	0	163	163	0
Permits and Fees	0	3,650	3,650	0
Communications	298	0	298	525
Printing and Publishing	422	70	492	0
Insurance and Bonds	1,240	4,744	5,984	5,055
Utilities	14,211	35,498	49,709	0
Repairs and Maintenance	2,574	900	3,474	11,696
Sewer Line Inspection	0	6,674	6,674	0
Equipment Rental	9,342	9,422	18,764	0
Testing	478	0	478	0
Dues	1,878	96	1,974	0
Miscellaneous	21	162	183	48
Depreciation	50,453	140,102	190,555	22,574
Total Operating Expenses	\$ 135,405	\$ 311,345	\$ 446,750	\$ 64,719
Operating Income (Loss)	\$ 52,696	\$ (30,362)	\$ 22,334	\$ (4,762)
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Interest Income	\$ 17,605	\$ 24,238	\$ 41,843	\$ 4,501
Interest Expense	(19,102)	(58,784)	(77,886)	0
User Contributions	20,775	19,605	40,380	0
Gain on Sale of Assets	0	10,000	10,000	4,100
Total Nonoperating Revenues (Expenses)	\$ 19,278	\$ (4,941)	\$ 14,337	\$ 8,601
Net Income (Loss)	\$ 71,974	\$ (35,303)	\$ 36,671	\$ 3,839
Community Development Block Grant	376,826	0	376,826	0
Transfer to General Fund	0	(212,715)	(212,715)	0
Change in Net Assets	\$ 448,800	\$ (248,018)	\$ 200,782	\$ 3,839
<u>TOTAL NET ASSETS</u> - Beginning of Year	1,387,427	3,451,145	4,838,572	208,600
<u>TOTAL NET ASSETS</u> -End of Year	\$ 1,836,227	\$ 3,203,127	\$ 5,039,354	\$ 212,439

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
PROPRIETARY FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2007

Net Change in Fund Net Assets - Total Proprietary Funds	\$ 200,782
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Amounts reported for proprietary activities in the statement of activities are different because:

Internal service funds are used by management to charge costs of the motor pool to individual funds. The net revenue (expense) of internal service fund is reported with governmental type activities. This creates an internal balance referred to as the crossover amount that needs to be adjusted for.

(83)

CHANGE IN NET ASSETS OF PROPRIETARY FUNDS	<u>\$ 200,699</u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28, 2007

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			INTERNAL
	MAJOR FUNDS			SERVICE
	WATER	SEWER	TOTAL	FUND
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 187,605	\$ 286,406	\$ 474,011	\$ 0
Cash Received from Interfund Services Provided	0	0	0	68,969
Cash Payments to Suppliers for Goods and Services	(322,203)	(259,306)	(581,509)	(45,083)
Net Cash Provided by (Used for) Operating Activities	\$ (134,598)	\$ 27,100	\$ (107,498)	\$ 23,886
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	\$ (385,024)	\$ (68,786)	\$ (453,810)	\$ (55,250)
Grant Proceeds	521,086	66,600	587,686	0
User Contributions	20,775	19,605	40,380	0
Principal Paid on Bonds	(25,000)	(12,000)	(37,000)	0
Principal Paid on Installment Loans	(10,837)	(10,837)	(21,674)	0
Interest Paid on Bonds	(17,111)	(52,719)	(69,830)	0
Interest Paid on Installment Loans	(1,447)	(6,278)	(7,725)	0
Proceeds on Sale of Capital Assets	0	10,000	10,000	4,100
Transfer to General Fund	0	(212,715)	(212,715)	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	\$ 102,442	\$ (267,130)	\$ (164,688)	\$ (51,150)
Cash Flows from Investing Activities				
Interest Income	\$ 17,605	\$ 24,238	\$ 41,843	\$ 4,501
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (14,551)	\$ (215,792)	\$ (230,343)	\$ (22,763)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	365,772	610,299	976,071	81,766
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 351,221	\$ 394,507	\$ 745,728	\$ 59,003

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>				INTERNAL
MAJOR FUNDS				SERVICE
WATER	SEWER	TOTAL		FUND
\$ 52,696	\$ (30,362)	\$ 22,334	\$ (4,762)	
\$ 50,453	\$ 140,102	\$ 190,555	\$ 22,574	
(4,671)	(631)	(5,302)	12,914	
(2,863)	654	(2,209)	198	
7,038	5,400	12,438	(4,100)	
(173,993)	(82,899)	(256,892)	(2,938)	
(64,508)	0	(64,508)	0	
1,250	0	1,250	0	
0	(5,164)	(5,164)	0	
\$ (187,294)	\$ 57,462	\$ (129,832)	\$ 28,648	
\$ (134,598)	\$ 27,100	\$ (107,498)	\$ 23,886	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
COMPONENT UNIT

STATEMENT OF NET ASSETS
FEBRUARY 28, 2007

	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>
<u>ASSETS</u>	
Cash	\$ 151,347
Receivables	
Taxes	290
Due from Other Governments	<u>353</u>
 TOTAL ASSETS	 <u><u>\$ 151,990</u></u>
 <u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Due to Other Governments	\$ 7,111
Deferred Revenue	135,000
Bonds Payable-Current Portion	5,000
Accrued Interest Payable	<u>2,468</u>
 Total Current Liabilities	 <u>\$ 149,579</u>
 <u>LONG TERM LIABILITIES - Net of Current Portion</u>	
Revenue Bonds	<u>\$ 225,000</u>
 TOTAL LIABILITIES	 <u>\$ 374,579</u>
 <u>EQUITY</u>	
Net Assets:	
Unrestricted (Deficit)	<u>\$ (222,589)</u>
 TOTAL NET ASSETS AND LIABILITIES	 <u><u>\$ 151,990</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
COMPONENT UNIT

STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2007

PROGRAM REVENUES

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	TOTALS
<u>Nonmajor Component Unit</u>				
<u>Downtown Development Authority</u>	\$ 267,133	\$ 0	\$ 0	\$ (267,133)

GENERAL REVENUES

Property Tax	\$ 23,129
Investment Earnings	<u>8,968</u>
Total General Revenues	<u>\$ 32,097</u>
Change in Net Assets	\$(235,036)
NET ASSETS - Beginning of Year	<u>12,447</u>
NET ASSETS - End of Year (Deficit)	<u><u>\$ (222,589)</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Kingsley, Michigan, is a general law village incorporated under the General Village Act of 1895. As required by generally accepted accounting principles, these financial statements present all activities of the Village. Entities for which the Village is considered to be financially accountable are called component units. The Village has one component unit, the Downtown Development Authority.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Village adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2007

The government-wide focus is more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Village are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The Village of Kingsley reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2007

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares.

The *Local Street Fund* receives all local street money paid to the Village by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The *Recreation Complex Capital Project Fund* and the *South Brownson Capital Projects Fund* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The *Oil, Gas and Mineral Trust Fund* is a *permanent fund* and uses the accrual method of accounting. Permanent funds account for assets that are legally restricted to the extent that only the earnings, and not the principal, may be used.

The Village of Kingsley reports the following major proprietary funds:

The *Water Fund* and *Sewer Fund* record financial activity of the water system which provides water to customers and the operations of the Village's sanitary sewer system.

Additionally the Village of Kingsley reports the following fund types:

Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds and of the Village's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and for internal service funds include the cost of

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2007

sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - The Village's investment policy is in compliance with state law and authorizes the Village to invest in passbook savings accounts, negotiable and nonnegotiable certificates of deposit, repurchase agreements backed by the United States government or federal agency obligations, United States Treasury bills and bonds, bankers acceptances, federal agency instruments, money market funds and commercial paper. Investments in commercial paper must be rated in one of the two highest rating categories by Standard and Poor's or Moody's and are limited to fifty percent of a funds portfolio in accordance with state statutes.

Investments are stated at fair value which is determined using selected bases. Securities traded on a national exchange are valued at the last reported sales price. Managed funds not listed on an established market are reported at fair value as determined by the respective fund managers based on quoted prices of underlying securities.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. Village taxes are levied and due July 1, and become delinquent after August 14. Village property tax revenues are recognized when they become both measurable and available for use to finance Village operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2007

The 2006 taxable valuation of the Village of Kingsley totaled \$23,250,228, on which ad valorem taxes levied consisted of 9.9351 mills for the Village of Kingsley operating purposes.

3. *Inventories and Prepaid Items*

Inventories are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, as well as the component unit are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Infrastructure	50
Land Improvements	20
Machinery and Equipment	5-10
Office Equipment and Fixtures	5-10
Water and Sewer Systems	30-50

5. *Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused sick pay benefits. No liability is reported for nonvesting, unpaid accumulated sick leave. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2007

6. *Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

1. Prior to March 1, the Village Clerk submits to the Village Council a proposed operating budget for all governmental funds for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. The Village Council holds a public hearing and adopts a resolution approving the budgets.
3. All transfers of budget amounts between functions within the General Fund and any revisions that alter the total expenditures of any fund must be approved by the Village Council. General Fund expenditures may not legally exceed budgeted appropriations at the major function level. Expenditures in all other governmental funds may not exceed appropriations at the total fund level.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2007

4. Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
5. Budgets for the General, Special Revenue, and Capital Project Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year end. Budgeted amounts are as originally adopted, or as amended by the Village Council from time to time throughout the year.
6. Encumbrance accounting is not employed in governmental funds.

B. Major funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Legislative	\$ 20,000	\$ 21,333
General Government	202,000	369,915
Recreation Complex Capital Project Fund		
Recreation and Culture	51,000	65,192
South Brownson Capital Projects Fund		
Economic Development	0	755,655

No budget was adopted for the Oil, Gas and Mineral Trust Fund.

These overages were funded by greater than anticipated revenues or beginning fund balance.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Village's deposits and investments are on deposit with various institutions.

Investment rate risk. The Village will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Village's cash requirements.

Foreign currency risk. The Village does not have a policy on this type of risk.

Credit risk. The Village will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Village's investment policy; and pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the Village will do business in accordance with the Village's investment policy.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2007

Concentration of credit risk. The Village will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of February 28, 2007, \$773,034 of the Village's balance of \$1,315,008 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of the same date, \$65,019 of the discretely presented component unit's balance of \$202,830 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Village's investments in U.S. Government Securities, Corporate Bonds and Notes, Stocks and Government Notes, totaling \$785,400 have custodial credit risk exposure because they are uninsured, and unregistered and the securities are held by brokers in the Village's name.

As of February 28, 2007, the Village had the following investments:

	<u>CARRYING AMOUNT</u>	<u>FAIR VALUE</u>
Investments - Primary Government		
U.S. Government		
Securities	\$ 664,216	\$ 664,216
Mutual Funds	60,592	60,592
	<u>\$ 724,808</u>	<u>\$ 724,808</u>

A reconciliation of cash and investments follows:

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2007

	PRIMARY GOVERNMENT	COMPONENT UNIT
Cash on Hand	\$ 50	\$ 0
Carrying amount of Deposits	1,195,397	151,347
Carrying amount of Investments	724,808	0
	<hr/>	<hr/>
Total	\$ 1,920,255	\$ 151,347
	<hr/>	<hr/>
Government-wide Statement of Net Assets		
Cash	\$ 1,195,447	\$ 0
Investments	724,808	0
Statement of Component Unit Net Assets		
Cash	0	151,347
	<hr/>	<hr/>
Total	\$ 1,920,255	\$ 151,347
	<hr/>	<hr/>

B. Receivables

Receivables as of year end for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Oil, Gas and Mineral Trust	Local Street	South Brownson	Water	Sewer	Total
Receivables							
Taxes	\$ 580	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 580
Accounts	1,342	0	0	0	13,445	34,579	49,366
Accrued Interest	0	6,577	0	0	0	0	6,577
Due from Other Governments	22,668	17,656	5,209	6,213	0	0	58,323
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Receivables	\$24,590	\$ 24,233	\$ 5,209	\$ 6,213	\$ 13,445	\$ 34,579	\$ 108,269
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

By ordinance, the Village can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2007

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 38,329	\$ 175,008	\$ 0	\$ 213,337
Construction in Progress	441,421	0	441,421	0
Total Capital Assets, not being depreciated	\$ 479,750	\$ 175,008	\$ 441,421	\$ 213,337
Capital assets, being depreciated				
Buildings	\$ 151,254	\$ 118,815	\$ 0	\$ 270,069
Land Improvements	311,269	140,157	0	451,426
Machinery and Equipment	125,123	39,594	0	164,717
Office Equipment	22,445	0	0	22,445
Infrastructure	1,060,332	1,197,285	0	2,257,617
Total capital assets, being depreciated	\$ 1,670,423	\$ 1,495,851	\$ 0	\$ 3,166,274
Less accumulated depreciation for:				
Buildings	\$ 33,126	\$ 6,230	\$ 0	\$ 39,356
Land Improvements	91,517	25,725	0	117,242
Machinery and Equipment	82,195	6,851	0	89,046
Office Equipment and Fixtures	21,154	651	0	21,805
Infrastructure	183,805	21,254	0	205,059
Total accumulated depreciation	\$ 411,797	\$ 60,711	\$ 0	\$ 472,508
Total capital assets, being depreciated, net	\$ 1,258,626	\$ 1,435,140	\$ 0	\$ 2,693,766
Governmental activities capital assets, net	\$ 1,738,376	\$ 1,610,148	\$ 441,421	\$ 2,907,103
Internal Service Fund net capital assets	\$ 115,454	\$ 75,133	\$ 0	190,587
Net Capital Assets per Statement of Net Assets				<u>\$ 3,097,690</u>

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2007

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 244,556	\$ 6,940	\$ 0	\$ 251,496
Construction in Progress	822,162	0	822,162	0
Total capital assets, not being depreciated	<u>\$ 1,066,718</u>	<u>\$ 6,940</u>	<u>\$ 822,162</u>	<u>\$ 251,496</u>
Capital assets, being depreciated				
Buildings	\$ 346,375	\$ 0	\$ 0	\$ 346,375
Water and Sewer Systems	5,582,947	1,206,950	0	6,789,897
Land Improvements	88,225	3,450	0	91,675
Machinery and Equipment	386,472	49,694	25,488	410,678
Furniture and Fixtures	16,000	8,938	0	24,938
Total capital assets, being depreciated	<u>\$ 6,420,019</u>	<u>\$ 1,269,032</u>	<u>\$ 25,488</u>	<u>\$ 7,663,563</u>
Less accumulated depreciation				
Buildings	\$ 1,693	\$ 10,713	\$ 0	\$ 12,406
Water and Sewer Systems	1,654,233	148,252	0	1,802,485
Land Improvements	18,453	1,296	0	19,749
Machinery and Equipment	156,236	28,333	25,488	159,081
Furniture and Fixtures	444	1,961	0	2,405
Total capital assets, being depreciated	<u>\$ 1,831,059</u>	<u>\$ 190,555</u>	<u>\$ 25,488</u>	<u>\$ 1,996,126</u>
Total capital assets, being depreciated, net	<u>\$ 4,588,960</u>	<u>\$ 1,078,477</u>	<u>\$ 0</u>	<u>\$ 5,667,437</u>
Business-type activities net capital assets	<u>\$ 5,655,678</u>	<u>\$ 1,085,417</u>	<u>\$ 822,162</u>	<u>\$ 5,918,933</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 21,520
Public Works	28,687
Recreation and Culture	10,504
Total depreciation expense - governmental activities	<u>\$ 60,711</u>

Business-type activities

Water and Sewer	<u>\$ 190,555</u>
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VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2007

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at February 28, 2007, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 12,713	\$ 4,100
Special Revenue Funds		
Major Street Fund	0	9,139
Local Street Fund	0	10,452
Capital Projects Fund		
Recreational Complex Capital Projects Fund	0	5,000
South Brownson Capital Projects Fund	0	6,713
Enterprise Funds		
Sewer Fund	19,591	1,000
Internal Service Fund		
Equipment Fund	4,100	0
	<u>\$ 36,404</u>	<u>\$ 36,404</u>

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at February 28, 2007, are expected to be repaid within one year.

Interfund Transfers as of February 28, 2007, were:

	<u>TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
Primary Government		
General Fund	\$212,715	\$ 2,154
Major Street Fund	0	7,500
Local Street Fund	7,500	0
Recreational Complex Capital Project Fund	12,154	0
Oil, Gas and Mineral Trust Fund	0	10,000
Sanitary Service System Fund	0	212,715
	<u>\$232,369</u>	<u>\$232,369</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2007

E. Long-Term Debt

1. Primary Government

The following is a summary of debt transactions of the Village of Kingsley for the year ended February 28, 2007:

Governmental Activities:

	REVENUE BONDS	INSTALLMENT PURCHASE AGREEMENTS	COMPENSATED ABSENCES	TOTAL
Debt Payable at March 1, 2006	\$1,656,000	\$ 139,360	\$ 7,599	\$1,802,959
New Debt Incurred	0	0	0	0
Debt Retired	37,000	56,396	3,416	96,812
Debt Payable at February 28, 2007	\$1,619,000	\$ 82,964	\$ 4,183	\$1,706,147
Due within one year	\$ 37,000	\$ 31,483	\$ 0	\$ 68,483

Debt payable at February 28, 2007 is comprised of the following individual issues:

Revenue Bonds:

\$410,000 Water Revenue Bonds due in annual installments of \$25,000 to \$30,000 through October 1, 2012; plus interest at 6.15% to 6.30% \$ 170,000

\$1,222,000 Junior Lien Sewer Revenue Bonds, due in annual installments of \$12,000 to \$65,000 through May 1, 2044; plus interest at 4.375%. 1,199,000

\$250,000 Junior Lien Water Revenue Bonds due in annual installments of \$5,000 to \$20,000 through October 1, 2024; plus interest at 3.35% to 5.00% 250,000

\$125,000 Department of Public Works Installment Agreement payable in annual installments of \$2,850 including interest at 4.40%. 82,964

Other Long-Term Debt

Accumulated sick pay owed to Village employees 4,183

\$ 1,706,147

The annual requirements to amortize these debts outstanding other than compensated absences as of February 28, 2007, including interest payments of \$1,444,322, are as follows:

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2007

YEAR ENDING FEBRUARY 28,	REVENUE BONDS	INSTALLMENT PURCHASE AGREEMENTS	TOTAL
2008			
PRINCIPAL	\$ 37,000	\$ 31,483	\$ 68,483
INTEREST	73,860	2,900	76,760
TOTAL	\$ 110,860	\$ 34,383	\$ 145,243
2009			
PRINCIPAL	\$ 38,000	\$ 32,411	\$ 70,411
INTEREST	71,775	1,789	73,564
TOTAL	\$ 109,775	\$ 34,200	\$ 143,975
2010			
PRINCIPAL	\$ 49,000	\$ 19,070	\$ 68,070
INTEREST	69,636	371	70,007
TOTAL	\$ 118,636	\$ 19,441	\$ 138,077
2011			
PRINCIPAL	\$ 49,000	\$ 0	\$ 49,000
INTEREST	66,980	0	66,980
TOTAL	\$ 115,980	\$ 0	\$ 115,980
2012			
PRINCIPAL	\$ 50,000	\$ 0	\$ 50,000
INTEREST	64,280	0	64,280
TOTAL	\$ 114,280	\$ 0	\$ 114,280
2013-2017			
PRINCIPAL	\$ 191,000	\$ 0	\$ 191,000
INTEREST	288,210	0	288,210
TOTAL	\$ 479,210	\$ 0	\$ 479,210
2018-2022			
PRINCIPAL	\$ 205,000	\$ 0	\$ 205,000
INTEREST	245,948	0	245,948
TOTAL	\$ 450,948	\$ 0	\$ 450,948
2023-2027			
PRINCIPAL	\$ 191,000	\$ 0	\$ 191,000
INTEREST	197,744	0	197,744
TOTAL	\$ 388,744	\$ 0	\$ 388,744

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2007

YEAR ENDING FEBRUARY 28,	REVENUE BONDS	INSTALLMENT PURCHASE AGREEMENT	TOTAL
2028-2032			
PRINCIPAL	\$ 164,000	\$ 0	\$ 164,000
INTEREST	159,690	0	159,690
TOTAL	\$ 323,690	\$ 0	\$ 323,690
2033-2037			
PRINCIPAL	\$ 205,000	\$ 0	\$ 205,000
INTEREST	119,546	0	119,546
TOTAL	\$ 324,546	\$ 0	\$ 324,546
2038-2042			
PRINCIPAL	\$ 256,000	\$ 0	\$ 256,000
INTEREST	69,212	0	69,212
TOTAL	\$ 325,212	\$ 0	\$ 325,212
2043-2045			
PRINCIPAL	\$ 184,000	\$ 0	\$ 184,000
INTEREST	12,381	0	12,381
TOTAL	\$ 196,381	\$ 0	\$ 196,381
GRAND TOTAL			
PRINCIPAL	\$ 1,619,000	\$ 82,964	\$ 1,701,964
INTEREST	1,439,262	5,060	1,444,322
TOTAL	\$ 3,058,262	\$ 88,024	\$ 3,146,286

2. Component Units

The following is a summary of debt transactions of the Village of Kingsley's discretely presented component units for the year ended February 28, 2007.

	TAX INCREMENT BOND
Debt Payable at March 1, 2006	\$ 0
New Debt Incurred	230,000
Debt Retired	0
Debt Payable at February 28, 2007	\$ 230,000
Due within one year	\$ 5,000

Debt Payable at February 28, 2007, is comprised of the following issues:

\$230,000 Downtown Development Authority Tax Increment Bonds,
Series 2006 due in annual installments of \$5,000 to \$20,000 through
June 1, 2025; interest at 3.80 to 4.80 percent.

\$ 230,000

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2007

The annual requirements to amortize this debt as of February 28, 2007, are as follows:

YEAR <u>ENDING FEBRUARY 28,</u>	<u>TOTAL</u>
2008	
PRINCIPAL	\$ 5,000
INTEREST	9,775
TOTAL	\$ <u>14,775</u>
2009	
PRINCIPAL	\$ 5,000
INTEREST	9,585
TOTAL	\$ <u>14,585</u>
2010	
PRINCIPAL	\$ 5,000
INTEREST	9,393
TOTAL	\$ <u>14,393</u>
2011	
PRINCIPAL	\$ 10,000
INTEREST	9,100
TOTAL	\$ <u>19,100</u>
2012	
PRINCIPAL	\$ 10,000
INTEREST	8,705
TOTAL	\$ <u>18,705</u>
2013-2017	
PRINCIPAL	\$ 50,000
INTEREST	37,480
TOTAL	\$ <u>87,480</u>
2018-2022	
PRINCIPAL	\$ 75,000
INTEREST	24,425
TOTAL	\$ <u>99,425</u>
2023-2025	
PRINCIPAL	\$ 70,000
INTEREST	7,082
TOTAL	\$ <u>77,082</u>
GRAND TOTAL	
PRINCIPAL	\$ 230,000
INTEREST	115,545
TOTAL	\$ <u><u>345,545</u></u>

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2007

IV. OTHER INFORMATION

A. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters.

The Village participates in two distinct pools of municipalities within the State of Michigan for self-insuring property and casualty and worker's disability compensation. The pools are considered public entity risk pools. The Village pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The Village has not been informed to any special assessments being required for the current year or the three prior years.

The Village continued to carry commercial insurance for other risks of loss, including employee health and accident insurance.

B. Construction Commitments

The Village is not involved in any capital improvement projects at February 28, 2007. Therefore, there are no construction commitments at year end.

C. Retirement Benefits

Retirement benefits are provided to full-time Village employees through contributions to individual retirement accounts. Such contributions equal three percent of each employee's base pay. Individual retirement account balances become the property of the employee immediately. Therefore, there are no plan assets or liabilities which would be included as part of the Village reporting entity. Covered wages were \$172,888 and total wages were \$203,712.

VILLAGE OF KINGSLEY, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED FEBRUARY 28, 2007

	GENERAL FUND			MAJOR STREET FUND			LOCAL STREET FUND			RECREATIONAL COMPLEX CAPITAL PROJECT FUND			SOUTH BROWNSON CAPITAL PROJECTS FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Taxes	\$ 225,800	\$ 225,800	\$ 233,578	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	9,500	9,500	9,406	0	0	0	0	0	0	0	0	0	0	0	0
Federal Grants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	755,655
State Grants	130,000	130,000	132,031	68,000	68,000	73,748	32,500	32,500	33,323	0	0	0	0	0	0
Contributions from Local Units	0	0	0	0	0	0	0	0	0	0	0	13,500	0	0	0
Interest and Rents	36,000	36,000	36,259	1,000	1,000	3,221	250	250	746	0	0	1,715	0	0	0
Other Revenue	101,500	101,500	104,283			0	0	0	0	0	0	7,186	0	0	0
Total Revenues	\$ 502,800	\$ 502,800	\$ 515,557	\$ 69,000	\$ 69,000	\$ 76,969	\$ 32,750	\$ 32,750	\$ 34,069	\$ 0	\$ 0	\$ 22,401	\$ 0	\$ 0	\$ 755,655
Legislative	\$ 20,000	\$ 20,000	\$ 21,333	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Government	202,000	202,000	369,915	0	0	0	0	0	0	0	0	0	0	0	0
Public Safety	7,500	7,500	6,355	0	0	0	0	0	0	0	0	0	0	0	0
Public Works	269,950	269,950	211,599	106,500	106,500	51,688	60,250	60,250	35,471	0	0	0	0	0	755,655
Planning	32,000	32,000	27,118	0	0	0	0	0	0	0	0	0	0	0	0
Recreation and Culture	5,000	5,000	0	0	0	0	0	0	0	51,000	51,000	65,192	0	0	0
Other Functions	244,800	244,800	101,762	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures	\$ 781,250	\$ 781,250	\$ 738,082	\$ 106,500	\$ 106,500	\$ 51,688	\$ 60,250	\$ 60,250	\$ 35,471	\$ 51,000	\$ 51,000	\$ 65,192	\$ 0	\$ 0	\$ 755,655
Excess (Deficiency) of Revenues Over Expenditures	\$ (278,450)	\$ (278,450)	\$ (222,525)	\$ (37,500)	\$ (37,500)	\$ 25,281	\$ (27,500)	\$ (27,500)	\$ (1,402)	\$ (51,000)	\$ (51,000)	\$ (42,791)	\$ 0	\$ 0	\$ 0
Loan Proceeds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	212,715	0	0	0	7,500	7,500	7,500	35,000	35,000	12,154	0	0	0
Transfers Out	0	0	(2,154)	(7,500)	(7,500)	(7,500)	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 210,561	\$ (7,500)	\$ (7,500)	\$ (7,500)	\$ 7,500	\$ 7,500	\$ 7,500	\$ 35,000	\$ 35,000	\$ 12,154	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ (278,450)	\$ (278,450)	\$ (11,964)	\$ (45,000)	\$ (45,000)	\$ 17,781	\$ (20,000)	\$ (20,000)	\$ 6,098	\$ (16,000)	\$ (16,000)	\$ (30,637)	\$ 0	\$ 0	\$ 0
FUND BALANCE - Beginning of Year	278,450	278,450	245,979	45,000	45,000	42,847	20,000	20,000	780	16,000	16,000	42,363	0	0	0
FUND BALANCE - End of Year	\$ 0	\$ 0	\$ 234,015	\$ 0	\$ 0	\$ 60,628	\$ 0	\$ 0	\$ 6,878	\$ 0	\$ 0	\$ 11,726	\$ 0	\$ 0	\$ 0

VILLAGE OF KINGSLEY, MICHIGAN

COMPONENT UNIT
REQUIRED SUPPLEMENTARY INFORMATION
DOWNTOWN DEVELOPMENT AUTHORITY FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
Cash		\$ 151,347	\$ 18,425
Receivables			
Taxes		290	164
Due from Other Governments		353	92
TOTAL ASSETS		<u>\$ 151,990</u>	<u>\$ 18,681</u>
	<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>			
Due to Other Governments		\$ 7,111	\$ 6,234
Deferred Revenue		135,000	0
TOTAL LIABILITIES		\$ 142,111	\$ 6,234
<u>FUND BALANCE</u>			
Unreserved		9,879	12,447
TOTAL LIABILITIES AND FUND BALANCE		<u>\$ 151,990</u>	<u>\$ 18,681</u>

VILLAGE OF KINGSLEY, MICHIGAN

COMPONENT UNIT
REQUIRED SUPPLEMENTARY INFORMATION
DOWNTOWN DEVELOPMENT AUTHORITY FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

<u>REVENUES</u>	2007	2006
Taxes		
Property Taxes	\$ 23,129	\$ 11,886
Interest and Rents		
Interest	8,968	495
Total Revenues	\$ 32,097	\$ 12,381
<u>EXPENDITURES</u>		
Public Works		
Professional Services	\$ 830	\$ 0
Capital Outlay		
Street Construction	259,512	0
Other Expenses		
Miscellaneous	101	0
Debt Service		
Interest	4,222	0
Intergovernmental Expenditures	0	6,213
Total Expenditures	264,665	6,213
Excess (Deficiency) of Revenues Over Expenditures	\$ (232,568)	\$ 6,168
<u>OTHER FINANCING SOURCES (USES)</u>		
Bond Proceeds	230,000	0
Net Change in Fund Balance	\$ (2,568)	6,168
<u>FUND BALANCE</u> - Beginning of Year	12,447	6,279
<u>FUND BALANCE</u> - End of Year	\$ 9,879	\$ 12,447

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

ASSETS

	<u>2007</u>	<u>2006</u>
Cash		
Checking Account	\$ 33,811	\$ 79,165
Savings Accounts	199,020	170,777
Imprest (Petty)	50	50
Receivables		
Taxes	580	1,567
Accounts	1,342	19,208
Due from Other Governments	22,668	21
Due from Other Funds		
South Brownson Capital Projects	6,713	29,746
Sewer Fund	1,000	76
Parks and Recreation Fund	5,000	0
Prepaid Expenditures	0	6,355
TOTAL ASSETS	<u>\$ 270,184</u>	<u>\$ 306,965</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 15,674	\$ 50,034
Due to Other Funds		
Equipment Fund	4,100	0
Water Fund	0	950
Due to Other Governments	5,015	835
Customer Deposits	9,730	7,982
Accrued Wages	1,650	1,185
Total Liabilities	<u>\$ 36,169</u>	<u>\$ 60,986</u>

FUND BALANCE

Reserved for:		
Prepaid Expenditures	\$ 0	\$ 6,355
Unreserved	234,015	239,624
Total Fund Balance	<u>\$ 234,015</u>	<u>\$ 245,979</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 270,184</u>	<u>\$ 306,965</u>

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

<u>REVENUES</u>	2007	2006
Taxes	\$ 233,578	\$ 217,699
Licenses and Permits	9,406	12,156
State Grants	132,031	133,248
Interest and Rents	36,259	15,597
Other Revenues	104,283	107,194
Total Revenues	\$ 515,557	\$ 485,894
<u>EXPENDITURES</u>		
Legislative	\$ 21,333	\$ 15,230
General Government	369,915	216,113
Public Safety	6,355	6,921
Public Works	211,599	188,390
Planning	27,118	30,064
Recreation and Cultural	0	2,500
Other Functions	101,762	111,768
Total Expenditures	\$ 738,082	\$ 570,986
Excess (Deficiency) of Revenues Over Expenditures	\$ (222,525)	\$ (85,092)
<u>OTHER FINANCING SOURCES (USES)</u>		
Loan Proceeds	\$ 0	\$ 41,667
Transfers Out	(2,154)	(17,500)
Transfers In	212,715	0
Total Other Financing Sources (Uses)	\$ 210,561	\$ 24,167
Net Change in Fund Balance	\$ (11,964)	\$ (60,925)
<u>FUND BALANCE</u> - Beginning of Year	245,979	306,904
<u>FUND BALANCE</u> - End of Year	\$ 234,015	\$ 245,979

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF REVENUES

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>TAXES</u>		
Current Property Tax	\$ 230,047	\$ 215,019
Delinquent Property Tax	944	673
Property Tax Administration Fee	1,210	1,107
Trailer Park Fees	1,334	839
Penalties and Interest	43	61
Total Taxes	<u>\$ 233,578</u>	<u>\$ 217,699</u>
 <u>LICENSES AND PERMITS</u>		
Land Use Permits	\$ 1,005	\$ 1,359
Franchise Fees	8,401	10,797
Total Licenses and Permits	<u>\$ 9,406</u>	<u>\$ 12,156</u>
 <u>STATE GRANTS</u>		
Sales Tax	<u>\$ 132,031</u>	<u>\$ 133,248</u>
 <u>INTEREST AND RENTS</u>		
Interest	\$ 11,683	\$ 7,972
Tower Rent	24,576	7,625
Total Interest and Rents	<u>\$ 36,259</u>	<u>\$ 15,597</u>
 <u>OTHER REVENUE</u>		
Wage Reimbursements	\$ 98,996	\$ 106,704
Refunds and Miscellaneous	5,287	490
Total Other Revenue	<u>\$ 104,283</u>	<u>\$ 107,194</u>
 TOTAL REVENUES	<u><u>\$ 515,557</u></u>	<u><u>\$ 485,894</u></u>

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>LEGISLATIVE</u>		
Village Council		
Salaries and Wages		
Council	\$ 8,125	\$ 6,306
Office Supplies	634	112
Membership and Dues	2,292	3,542
Professional Services	1,842	50
Contracted Services	6,231	1,950
Repairs and Maintenance	0	200
Printing and Publishing	1,657	2,460
Miscellaneous	552	610
Total Legislative	<u>\$ 21,333</u>	<u>\$ 15,230</u>
<u>GENERAL GOVERNMENT</u>		
Manager		
Salaries and Wages	\$ 70,390	\$ 57,176
Office Supplies	349	78
Professional Services	33	0
Transportation	819	889
Printing and Publishing	562	94
Repairs and Maintenance	35	0
Dues and Fees	1,389	50
Education and Training	345	159
Elections		
Printing and Publishing	34	0
Independent Audit		
Professional Services	14,000	4,850
Attorney		
Legal Fees	7,514	16,772
Village Clerk's Office		
Salaries and Wages	33,108	27,256
Office Supplies	3,201	3,066
Postage	1,792	1,390
Operating Supplies	91	55
Professional Fees	163	86
Transportation	176	48
Printing and Publishing	0	268

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
Dues and Fees	50	146
Education and Training	205	0
Downtown Development Authority		
Supplies	77	59
Professional Services	650	1,250
Transportation	73	0
Printing and Publishing	59	564
Education and Training	160	20
Dues and Fees	0	50
Treasurer's Office		
Salaries and Wages	1,646	1,893
Office Supplies	273	280
Contracted Services	0	315
Dues and Fees	365	35
Buildings and Grounds - Village Hall		
Salaries and Wages	68	0
Office Supplies	857	1,623
Operating Supplies	3,706	313
Professional Fees	15,758	12,654
Contracted Services	4,958	2,257
Communications	9,107	6,085
Utilities	6,074	7,109
Repairs and Maintenance	460	1,106
Equipment Rental	15,830	17,075
Dues and Fees	530	0
Capital Outlay	175,008	51,042
Total General Government	<u>\$ 369,915</u>	<u>\$ 216,113</u>

PUBLIC SAFETY

Aid to Other Governmental Units	<u>\$ 6,355</u>	<u>\$ 6,921</u>
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PUBLIC WORKS

Department of Public Works		
Wages	\$ 78,456	\$ 75,619
Office Supplies	1,475	100
Operating Supplies	442	221
Professional Services	37	777

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28,

	2007	2006
Contracted Services	63,035	49,404
Communications	900	988
Transportation	0	125
Printing and Publishing	31	0
Dues and Fees	0	13
Utilities	1,242	0
Hydrant Maintenance	51,176	49,680
Clothing Allowance	674	545
Street Lighting		
Utilities	14,131	10,918
Total Public Works	\$ 211,599	\$ 188,390
<u>PLANNING</u>		
Planning and Zoning Board		
Salaries and Wages	\$ 13,164	\$ 9,210
Professional Services	12,774	16,777
Printing and Publishing	827	3,581
Dues and Fees	0	100
Supplies	43	0
Transportation	28	0
Education and Training	282	396
Total Planning	\$ 27,118	\$ 30,064
<u>RECREATION AND CULTURE</u>		
Parks and Recreation		
Capital Outlay	\$ 0	\$ 2,500
<u>OTHER FUNCTIONS</u>		
Fringe Benefits		
Social Security	\$ 12,630	\$ 11,942
Medicare	2,954	2,792
Health and Life Insurance	21,591	18,397
Retirement	5,534	4,369
Workers' Compensation	4,142	433
Insurance		
Property and Liability Insurance	17,842	15,419

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
Other		
Service Fees	313	0
Miscellaneous	1,108	552
Loan Principal Payments	34,723	54,738
Interest Expense	925	3,126
Total Other Functions	<u>\$ 101,762</u>	<u>\$ 111,768</u>
 TOTAL EXPENDITURES	 <u>\$ 738,082</u>	 <u>\$ 570,986</u>

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF OTHER FINANCING SOURCES (USES)

YEAR ENDED FEBRUARY 28.

	<u>2007</u>	<u>2006</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Loan Proceeds	\$ 0	\$ 41,667
Transfers Out		
Recreational Complex Capital Project Fund	(2,154)	(17,500)
Transfers In		
Sewer Fund	<u>212,715</u>	<u>0</u>
Total Other Financing (Uses)	<u>\$ 210,561</u>	<u>\$ 24,167</u>

VILLAGE OF KINGSLEY, MICHIGAN

MAJOR STREET FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash		
Checking Account	\$ 52,360	\$ 57,244
Due from Other Governments	17,656	12,489
TOTAL ASSETS	<u>\$ 70,016</u>	<u>\$ 69,733</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 249	\$ 14,047
Due to Other Funds		
Local Street Fund	0	1,000
Sewer Fund	9,139	11,839
Total Liabilities	\$ 9,388	\$ 26,886
<u>FUND BALANCE</u>		
Unreserved	60,628	42,847
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 70,016</u>	<u>\$ 69,733</u>

VILLAGE OF KINGSLEY, MICHIGAN

MAJOR STREET FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
State Grants		
Michigan Transportation Fund (Act 51)	\$ 73,748	\$ 69,209
Interest and Rents		
Interest	3,221	1,273
	<hr/>	<hr/>
Total Revenues	\$ 76,969	\$ 70,482
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Public Works		
Routine Maintenance		
Salaries and Wages	\$ 7,845	\$ 8,664
Materials and Supplies	1,801	276
Equipment Rental	5,904	5,778
Repairs and Maintenance	2,325	1,040
Winter Maintenance		
Salaries and Wages	6,021	7,584
Materials and Supplies	1,110	7,836
Equipment Rental	5,313	9,885
Signs and Signals		
Repairs and Maintenance	0	2,890
Administration and General		
Salaries and Wages	105	105
Workers' Compensation	0	749
Professional Services	20,950	526
Insurance	314	278
Construction		
Streets	0	2,920
	<hr/>	<hr/>
Total Expenditures	\$ 51,688	\$ 48,531
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	\$ 25,281	\$ 21,951

VILLAGE OF KINGSLEY, MICHIGAN

MAJOR STREET FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In (Out)		
Local Street Fund	<u>(7,500)</u>	<u>(8,500)</u>
Net Change in Fund Balance	\$ 17,781	\$ 13,451
<u>FUND BALANCE</u> - Beginning of Year	<u>42,847</u>	<u>29,396</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 60,628</u>	<u>\$ 42,847</u>

VILLAGE OF KINGSLEY, MICHIGAN

LOCAL STREET FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash		
Checking Account	\$ 12,320	\$ 23,753
Due from Major Street Fund	0	1,000
Due from Other Governmental Units	5,209	5,970
TOTAL ASSETS	<u>\$ 17,529</u>	<u>\$ 30,723</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 199	\$ 16,791
Due to Other Funds		
Sewer Fund	10,452	13,152
TOTAL LIABILITIES	<u>\$ 10,651</u>	<u>\$ 29,943</u>
<u>FUND BALANCE</u>		
Unreserved	6,878	780
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 17,529</u>	<u>\$ 30,723</u>

VILLAGE OF KINGSLEY, MICHIGAN

LOCAL STREET FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

	2007	2006
<u>REVENUES</u>		
State Grants		
Michigan Transportation Fund (Act 51)	\$ 28,851	\$ 29,893
Telecommunications Right of Way Maintenance	4,472	4,853
Interest and Rents		
Interest	746	449
Total Revenues	\$ 34,069	\$ 35,195
<u>EXPENDITURES</u>		
Public Works		
Routine Maintenance		
Salaries and Wages	\$ 10,324	\$ 8,903
Materials and Supplies	474	239
Repair and Maintenance	1,812	930
Equipment Rental	10,621	4,526
Winter Maintenance		
Salaries and Wages	2,077	8,360
Materials and Supplies	1,085	7,825
Equipment Rental	1,758	10,767
Signs and Signals		
Materials and Supplies	86	0
Administration		
Salaries and Wages	45	45
Workers' Compensation	0	749
Professional Services	0	500
Insurance	314	278
Engineering	1,250	0
Construction		
Streets	5,625	0
Total Expenditures	\$ 35,471	\$ 43,122
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,402)	\$ (7,927)

VILLAGE OF KINGSLEY, MICHIGAN

LOCAL STREET FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In (Out)		
Major Street Fund	<u>7,500</u>	<u>8,500</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources	\$ 6,098	\$ 573
<u>FUND BALANCE</u> - Beginning of Year	<u>780</u>	<u>207</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 6,878</u>	<u>\$ 780</u>

VILLAGE OF KINGSLEY, MICHIGAN

RECREATIONAL COMPLEX CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	2007	2006
	<hr/>	
<u>ASSETS</u>		
Cash		
Checking Account	\$ 16,730	\$ 25,896
Due from Other Governments	0	50,000
	<hr/>	
TOTAL ASSETS	\$ 16,730	\$ 75,896
	<hr/>	
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 4	\$ 33,533
Due to General Fund	5,000	0
	<hr/>	
TOTAL LIABILITIES	\$ 5,004	\$ 33,533
	<hr/>	
<u>FUND BALANCE</u>		
Unreserved		
Designated for Civic Improvements	11,726	42,363
	<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	\$ 16,730	\$ 75,896
	<hr/>	

VILLAGE OF KINGSLEY, MICHIGAN

RECREATIONAL COMPLEX CAPITAL PROJECT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
State Grants		
Department of Natural Resources	\$ 0	\$ 108,097
Contributions from Local Units	13,500	6,500
Interest and Rents		
Interest	1,715	2,625
Other Income		
Fundraising Income	0	2,530
Private Contributions	6,315	4,486
User Fees	700	0
Miscellaneous	171	450
Total Revenues	<u>\$ 22,401</u>	<u>\$ 124,688</u>
<u>EXPENDITURES</u>		
Recreation and Culture		
Audit	\$ 0	\$ 500
Legal	260	1,771
Contracted Services	6,968	2,340
Materials and Supplies	6,962	3,376
Repair and Maintenance	7,269	3,589
Equipment Rental	150	450
Operating Supplies	216	0
Printing and Publishing	82	258
Postage	0	28
Water	7,383	7,000
Electric	960	207
Dues and Fees	403	0
Capital Outlay	34,539	272,103
Total Expenditures	<u>\$ 65,192</u>	<u>\$ 291,622</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (42,791)	\$ (166,934)

VILLAGE OF KINGSLEY, MICHIGAN

RECREATIONAL COMPLEX CAPITAL PROJECT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>OTHER FINANCING SOURCES</u>		
Transfers In		
General Fund	2,154	17,500
Oil, Gas and Mineral Trust	10,000	75,000
Total Other Financing Sources	\$ 92,500	\$ 92,500
Net Change in Fund Balance	\$ (30,637)	\$ (74,434)
<u>FUND BALANCE</u> - Beginning of Year	42,363	116,797
<u>FUND BALANCE</u> - End of Year	<u>\$ 11,726</u>	<u>\$ 42,363</u>

VILLAGE OF KINGSLEY, MICHIGAN

SOUTH BROWNSON CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

ASSETS

	<u>2007</u>	<u>2006</u>
Cash	\$ 500	\$ 77,548
Community Development Block Grant Receivable	0	20,460
Due from Other Governments	6,213	6,213
	<hr/>	<hr/>
TOTAL ASSETS	\$ 6,713	\$ 104,221
	<hr/> <hr/>	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 0	\$ 74,475
Due to General Fund	6,713	29,746
	<hr/>	<hr/>

TOTAL LIABILITIES	\$ 6,713	\$ 104,221
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FUND BALANCE

Unreserved	0	0
	<hr/>	<hr/>

TOTAL LIABILITIES AND FUND BALANCE	\$ 6,713	\$ 104,221
	<hr/> <hr/>	<hr/> <hr/>

VILLAGE OF KINGSLEY, MICHIGAN

SOUTH BROWNSON CAPITAL PROJECTS FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

<u>REVENUES</u>	2007	2006
Federal Grants		
Community Development Block Grant	\$ 755,655	\$ 170,281
Contributions from Local Units	0	6,213
Total Revenues	\$ 755,655	\$ 176,494
<u>EXPENDITURES</u>		
Public Works		
Capital Outlay	755,655	176,494
Net Change in Fund Balance	\$ 0	\$ 0
<u>FUND BALANCE</u> - Beginning of Year	0	0
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0

VILLAGE OF KINGSLEY, MICHIGAN

OIL, GAS AND MINERAL TRUST FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	2007	2006
<u>ASSETS</u>		
Cash	\$ 75,925	\$ 53,567
Investments	724,808	709,770
Accrued Interest Receivable	6,577	6,577
TOTAL ASSETS	<u>\$ 807,310</u>	<u>\$ 769,914</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>FUND BALANCE</u>		
Reserved for:		
Endowments	\$ 721,982	\$ 707,844
Civic Improvements	85,328	62,070
Total Fund Balance	<u>\$ 807,310</u>	<u>\$ 769,914</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 807,310</u>	<u>\$ 769,914</u>

VILLAGE OF KINGSLEY, MICHIGAN

OIL, GAS AND MINERAL TRUST FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2006</u>
<u>REVENUES</u>		
Interest and Rents		
Investment Income	\$ 41,875	\$ 23,491
Oil and Gas Royalties	10,521	13,817
Total Revenues	\$ 52,396	\$ 37,308
<u>EXPENDITURES</u>		
Trust Fund Activities		
Trustee Fees	5,000	5,000
Excess (Deficiency) of Revenues Over Expenditures	\$ 47,396	\$ 32,308
<u>OTHER FINANCING SOURCES(USES)</u>		
Transfers In (Out)		
Recreational Complex Capital Project Fund	(10,000)	(75,000)
Net Change in Fund Balance	\$ 37,396	\$ (42,692)
<u>FUND BALANCE</u> - Beginning of Year	769,914	812,606
<u>FUND BALANCE</u> - End of Year	\$ 807,310	\$ 769,914

VILLAGE OF KINGSLEY, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF NET ASSETS

FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash		
Operating Fund	\$ 21,747	\$ 32,023
Receiving Fund	82,586	143,246
Construction Fund	0	25,955
Accounts Receivable	13,445	8,774
Community Development Block Grant Receivable	0	144,260
Due from Other Funds		
General Fund	0	950
Sewer Fund	0	6,088
Prepaid Expenses	3,877	1,014
	<hr/>	<hr/>
Total Current Assets	\$ 121,655	\$ 362,310
	<hr/>	<hr/>
<u>RESTRICTED ASSETS</u>		
Cash		
Bond and Interest Redemption Funds	\$ 100,789	\$ 65,769
Bond Reserve Funds	146,099	98,779
	<hr/>	<hr/>
Total Restricted Assets	\$ 246,888	\$ 164,548
	<hr/>	<hr/>
<u>CAPITAL ASSETS</u>		
Land and Land Improvements	\$ 30,928	\$ 22,038
Machinery and Equipment	6,679	1,064
Buildings and Improvements	37,521	37,521
Water System		
Wells and Well Houses	295,657	295,657
Water Towers	981,780	239,870
Water Mains	1,192,282	741,511
Construction in Progress	0	822,162
Accumulated Depreciation	(625,711)	(575,258)
	<hr/>	<hr/>
Net Capital Assets	\$ 1,919,136	\$ 1,584,565
	<hr/>	<hr/>

VILLAGE OF KINGSLEY, MICHIGAN

WATER FUND
COMPARATIVE STATEMENT OF NET ASSETS

FEBRUARY 28,

	2007	2006
<u>OTHER ASSETS</u>		
Bond Issuance Costs	\$ 7,297	\$ 7,297
Accumulated Amortization	(544)	0
Net Other Assets	\$ 6,753	\$ 7,297
TOTAL ASSETS	\$ 2,294,432	\$ 2,118,720
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)</u>		
Accounts Payable	\$ 1,142	\$ 175,135
Retainage Payable	0	64,508
Customer Deposits	4,775	3,525
Total Current Liabilities (Payable from Current Assets)	\$ 5,917	\$ 243,168
<u>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</u>		
Revenue Bonds Payable- Current Portion	\$ 25,000	\$ 25,000
Installment Purchase Agreement	11,000	9,885
Accrued Interest Payable	4,634	4,634
Total Current Liabilities (Payable from Restricted Assets)	\$ 40,634	\$ 39,519
<u>LONG-TERM LIABILITIES</u>		
Revenue Bonds Payable (Net of Current Portion)	\$ 395,000	\$ 420,000
Installment Purchase Agreement	16,654	28,606
Total Long Term Liabilities	\$ 411,654	\$ 448,606
Total Liabilities	\$ 458,205	\$ 731,293
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 1,471,482	\$ 1,101,074
Unrestricted	364,745	286,353
TOTAL NET ASSETS	\$ 1,836,227	\$ 1,387,427

VILLAGE OF KINGSLEY, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Sales	\$ 129,894	\$ 129,305
Hydrant Rental	50,976	49,680
Water Tower Lease	7,200	8,050
Other Revenue	31	208
	<hr/>	<hr/>
Total Operating Revenues	\$ 188,101	\$ 187,243
	<hr/>	<hr/>
<u>OPERATING EXPENSES</u>		
Administration and General		
Postage and Office Supplies	\$ 1,241	\$ 1,607
Travel Expense	21	0
Professional Services	853	1,437
Contracted Services	0	1,065
Communications	298	348
Printing and Publishing	422	3,502
Insurance and Bonds	1,240	3,748
Bank Fees	1,220	915
Dues	1,878	1,526
Plant		
Salaries and Wages	34,032	40,850
Workers' Compensation	0	1,238
Operating Supplies	13,568	8,432
Meters	3,574	2,801
Utilities	14,211	11,107
Repairs and Maintenance	2,574	259
Equipment Rental	9,342	10,086

VILLAGE OF KINGSLEY, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
Testing	478	1,940
Depreciation	50,453	31,668
Total Operating Expenses	\$ 135,405	\$ 122,529
Operating Income (Loss)	\$ 52,696	\$ 64,714
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Wellhead Protection Grant	\$ 0	\$ 15,300
Interest Income	17,605	6,216
User Contributions	20,775	20,400
Interest Expense	(19,102)	(15,044)
Total Nonoperating Revenues (Expenses)	\$ 19,278	\$ 26,872
Net Income (Loss)	\$ 71,974	\$ 91,586
Community Development Block Grant	376,826	595,574
Change in Net Assets	\$ 448,800	\$ 687,160
<u>TOTAL NET ASSETS</u> - Beginning of Year	1,387,427	700,267
<u>TOTAL NET ASSETS</u> - End of Year	\$ 1,836,227	\$ 1,387,427

VILLAGE OF KINGSLEY, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 187,605	\$ 186,741
Cash Payments to Suppliers for Goods and Services	(322,203)	(93,959)
	<u>\$ (134,598)</u>	<u>\$ 92,782</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	\$ (385,024)	\$ (657,546)
User Contributions	20,775	20,400
Bond Proceeds	0	250,000
Loan Proceeds	0	41,666
Grant Proceeds	521,086	466,614
Principal Paid on Bonds	(25,000)	(25,000)
Principal Paid on Installment Loan	(10,837)	(3,175)
Interest Paid on Bonds	(17,111)	(15,482)
Interest Paid on Installment Loan	(1,447)	(624)
	<u>\$ 102,442</u>	<u>\$ 76,853</u>
Cash Flows from Investing Activities		
Interest Income	\$ 17,605	\$ 6,216
	<u>\$ (14,551)</u>	<u>\$ 175,851</u>
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>365,772</u>	<u>189,921</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u><u>\$ 351,221</u></u>	<u><u>\$ 365,772</u></u>

VILLAGE OF KINGSLEY, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	<u>\$ 52,696</u>	<u>\$ 64,714</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	\$ 50,453	\$ 31,668
(Increase) Decrease in Current Assets		
Accounts Receivable	(4,671)	6,516
Prepaid Expenses	(2,863)	(1,014)
Due from Other Funds	7,038	(7,018)
Increase (Decrease) in Current Liabilities		
Accounts Payable	(173,993)	131,485
Retainage Payable	(64,508)	64,508
Customer Deposits	1,250	1,055
Due to Other Funds	<u>0</u>	<u>(11,214)</u>
Total Adjustments	<u>\$ (187,294)</u>	<u>\$ 215,986</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ (134,598)</u></u>	<u><u>\$ 280,700</u></u>

VILLAGE OF KINGSLEY, MICHIGAN

SANITARY SEWER SYSTEM FUND
COMPARATIVE STATEMENT OF NET ASSETS

FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash		
Operating Fund	\$ 10,874	\$ 7,123
Receiving Fund	183,430	313,208
Accounts Receivable	34,579	33,948
Rural Utilities Service Grant Receivable	0	66,600
Due from Other Funds		
Major Street	9,139	11,839
Local Street	10,452	13,152
Prepaid Expenses	7,842	8,496
Total Current Assets	\$ 256,316	\$ 454,366
<u>RESTRICTED ASSETS</u>		
Restricted Cash Accounts		
Sewer Construction Project	\$ 0	\$ 97,556
Sewer Improvement and Repair	47,841	45,629
Bond and Interest Redemption Funds	77,143	55,303
Bond Reserve Fund	21,008	13,515
Capital Improvement Fund	54,211	77,965
Total Restricted Assets	\$ 200,203	\$ 289,968
<u>CAPITAL ASSETS</u>		
Land and Improvements	\$ 312,243	\$ 310,743
Buildings	308,854	308,854
Machinery and Equipment	403,999	385,408
Furniture and Fixtures	24,938	16,000
Sewer System		
Wastewater Treatment Facility	2,290,019	2,290,019
Pumping Station	110,398	110,398
Mains and Connections	1,919,761	1,905,492
Accumulated Depreciation	(1,370,415)	(1,255,801)
Net Capital Assets	\$ 3,999,797	\$ 4,071,113
TOTAL ASSETS	\$ 4,456,316	\$ 4,815,447

VILLAGE OF KINGSLEY, MICHIGAN

SANITARY SEWER SYSTEM FUND
COMPARATIVE STATEMENT OF NET ASSETS

FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)</u>		
Accounts Payable	\$ 8,050	\$ 90,949
Due to Other Funds		
General Fund	1,000	76
Water Fund	0	6,088
Total Current Liabilities (Payable from Current Assets)	\$ 9,050	\$ 97,113
<u>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</u>		
Revenue Bonds Payable - Current Portion	\$ 12,000	\$ 12,000
Installment Purchase Agreement	11,000	9,885
Accrued Interest Payable	17,485	17,698
Total Current Liabilities (Payable from Restricted Assets)	\$ 40,485	\$ 39,583
<u>LONG-TERM LIABILITIES (Net of Current Portion)</u>		
Revenue Bonds Payable	\$ 1,187,000	\$ 1,199,000
Installment Purchase Agreement	16,654	28,606
Total Long-Term Liabilities	\$ 1,203,654	\$ 1,227,606
Total Liabilities	\$ 1,253,189	\$ 1,364,302
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 2,773,143	\$ 2,821,622
Unrestricted	429,984	629,523
TOTAL NET ASSETS	\$ 3,203,127	\$ 3,451,145

VILLAGE OF KINGSLEY, MICHIGAN

SANITARY SEWER SYSTEM FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED FEBRUARY 28,

	2007	2006
<u>OPERATING REVENUES</u>		
Charges for Services		
Sewer Service	\$ 280,816	\$ 283,375
Other Revenue	167	1,045
	<hr/>	
Total Operating Revenues	\$ 280,983	\$ 284,420
	<hr/>	
<u>OPERATING EXPENSES</u>		
Administration and General		
Office Supplies	\$ 873	\$ 4,297
Bank Service Charges	15	1,325
Professional Services	1,998	4,029
Legal Fees	163	360
Insurance and Bonds	4,744	5,087
Dues	96	94
Printing and Publishing	70	601
Miscellaneous	162	1,022
Plant		
Salaries and Wages	21,831	21,996
Operating Supplies	2,908	627
Permits and Fees	3,650	5,699
Utilities	35,498	27,393
Repairs and Maintenance	900	802
Sewer Line Inspection	6,674	0
Contracted Plant Operation	82,239	69,750
Lab Fees	0	782
Equipment Rental	9,422	5,751
Depreciation	140,102	100,017
Total Operating Expenses	\$ 311,345	\$ 249,632
	<hr/>	
Operating Income (Loss)	\$ (30,362)	\$ 34,788

VILLAGE OF KINGSLEY, MICHIGAN

SANITARY SEWER SYSTEM FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	\$ 24,238	\$ 19,987
Interest Expense	(58,784)	(25,419)
Lease Income	0	19,200
User Contributions	19,605	24,940
Gain on Sale of Assets	10,000	0
Write Off of Abandoned Lagoon Treatment System	0	(389,371)
Total Nonoperating Revenues (Expenses)	<u>\$ (4,941)</u>	<u>\$ (350,663)</u>
 Net Income (Loss)	 \$ (35,303)	 \$ (315,875)
 Transfer to General Fund	 (212,715)	 0
Rural Utilities Service Grant	0	614,732
	<u>0</u>	<u>614,732</u>
 Change in Net Assets	 \$ (248,018)	 \$ 298,857
 <u>TOTAL NET ASSETS</u> - Beginning of Year	 <u>3,451,145</u>	 <u>3,152,288</u>
 <u>TOTAL NET ASSETS</u> - End of Year	 <u>\$ 3,203,127</u>	 <u>\$ 3,451,145</u>

VILLAGE OF KINGSLEY, MICHIGAN

SANITARY SEWER SYSTEM FUND
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 286,406	\$ 279,712
Cash Payments to Suppliers for Goods and Services	(259,306)	(155,861)
	<hr/>	<hr/>
Net Cash Provided by (Used for) Operating Activities	\$ 27,100	\$ 123,851
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	\$ (68,786)	\$ (888,216)
Loan Proceeds	0	41,666
Grant Proceeds	66,600	769,800
User Contributions	19,605	23,690
Principal Paid on Bonds	(12,000)	(156,000)
Principal Paid on Installment Loan	(10,837)	(3,175)
Interest Paid on Bonds	(52,719)	(55,894)
Interest Paid on Installment Loan and Other Obligations	(6,278)	(624)
Proceeds on Sale of Capital Assets	10,000	0
Transfer to General Fund	(212,715)	0
Lease Income	0	19,200
	<hr/>	<hr/>
Net Cash Provided by (Used for) Capital and Related Financing Activities	\$ (267,130)	\$ (249,553)
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Interest Income	\$ 24,238	\$ 19,987
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (215,792)	\$ (105,715)
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	610,299	716,014
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 394,507	\$ 610,299
	<hr/> <hr/>	<hr/> <hr/>

VILLAGE OF KINGSLEY, MICHIGAN

SANITARY SEWER SYSTEM FUND
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	<u>\$ (30,362)</u>	<u>\$ 34,788</u>
Adjustments to Reconcile Operating Income to Net		
Cash Provided by Operating Activities:		
Depreciation and Amortization	\$ 140,102	\$ 100,017
(Increase) Decrease in Current Assets		
Accounts Receivable	(631)	(3,473)
Prepaid Expenses	654	444
Due from Other Funds	5,400	7,435
Increase (Decrease) in Current Liabilities		
Accounts Payable	(82,899)	(19,874)
Due to Other Funds	<u>(5,164)</u>	<u>4,514</u>
Total Adjustments	<u>\$ 57,462</u>	<u>\$ 89,063</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 27,100</u></u>	<u><u>\$ 123,851</u></u>

VILLAGE OF KINGSLEY, MICHIGAN

EQUIPMENT FUND
COMPARATIVE STATEMENT OF NET ASSETS

FEBRUARY 28,

	<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	2007	2006
Cash		
Checking Account	\$ 39,338	\$ 24,285
Savings Account	19,665	57,481
Due from General Fund	4,100	0
Accounts Receivable	0	12,914
Prepaid Expenses	3,434	3,632
Total Current Assets	<u>\$ 66,537</u>	<u>\$ 98,312</u>
<u>CAPITAL ASSETS</u>		
Machinery and Equipment	\$ 366,620	\$ 295,902
Accumulated Depreciation	(176,033)	(180,448)
Total Capital Assets	<u>\$ 190,587</u>	<u>\$ 115,454</u>
 TOTAL ASSETS	 <u>\$ 257,124</u>	 <u>\$ 213,766</u>
	<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 44,685	\$ 5,166
 <u>NET ASSETS</u>		
Invested in Capital Assets	\$ 190,587	\$ 115,454
Unrestricted	21,852	93,146
 TOTAL NET ASSETS	 <u><u>\$ 212,439</u></u>	 <u><u>\$ 208,600</u></u>

VILLAGE OF KINGSLEY, MICHIGAN

EQUIPMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Equipment Rental	\$ 59,957	\$ 71,116
<u>OPERATING EXPENSES</u>		
Salaries and Wages	\$ 13,496	\$ 13,720
Office Supplies	1,270	229
Professional Services	401	500
Communications	525	962
Gasoline and Oil	9,654	7,385
Fleet Insurance	5,055	5,097
Workers' Compensation Insurance	0	499
Repairs and Maintenance	11,696	7,877
Miscellaneous	48	0
Amortization	0	292
Depreciation	22,574	22,009
Total Operating Expenses	\$ 64,719	\$ 58,570
Operating Income (Loss)	\$ (4,762)	\$ 12,546
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	\$ 4,501	\$ 1,494
Gain on Sale of Assets	4,100	0
Total Nonoperating Revenues (Expenses)	8,601	1,494
Net Income	\$ 3,839	\$ 14,040
<u>TOTAL NET ASSETS</u> - Beginning of Year	208,600	194,560
<u>TOTAL NET ASSETS</u> - End of Year	\$ 212,439	\$ 208,600

VILLAGE OF KINGSLEY, MICHIGAN

EQUIPMENT FUND
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Receipts from Interfund Services Provided	\$ 68,969	58,202
Payments to Suppliers	(31,587)	(25,256)
Payments to Employees	(13,496)	(13,720)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 23,886</u>	<u>\$ 19,226</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Gain on Sale of Assets	\$ 4,100	\$ 0
Acquisition of Capital Assets	(55,250)	0
Net Cash Provided by (used for) Capital and Related Financing Activities	<u>\$ (51,150)</u>	<u>\$ 0</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest Income	\$ 4,501	\$ 1,494
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (22,763)	\$ 20,720
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>81,766</u>	<u>61,046</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u><u>\$ 59,003</u></u>	<u><u>\$ 81,766</u></u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	<u>\$ (4,762)</u>	<u>\$ 12,546</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	\$ 22,574	\$ 22,301
(Increase) Decrease in Current Assets		
Accounts Receivable	12,914	(12,914)
Prepaid Expenses	198	125
Due from Other Funds	(4,100)	0
Increase (Decrease) in Current Liabilities		
Accounts Payable	(2,938)	(567)
Due to Other Funds	0	(2,265)
Total Adjustments	<u>\$ 28,648</u>	<u>\$ 6,680</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 23,886</u></u>	<u><u>\$ 19,226</u></u>

VILLAGE OF KINGSLEY
STATEMENT OF 2006 TAX ROLL
FEBRUARY 28, 2007

	TAXABLE	MILLS	TAXES	TAXES	TAXES
	VALUATION	LEVIED	ASSESSED	RETURNED	COLLECTED
				DELINQUENT	
Village Tax	\$ 23,250,228	9.9351	\$ 230,991	\$ 22,884	\$ 208,107
Administration Fee			1,210	119	1,091
Total			\$ 232,201	\$ 23,003	\$ 209,198

VILLAGE OF KINGSLEY
DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF 2006 TAX ROLL
FEBRUARY 28, 2007

	CAPTURED TAXABLE VALUATION	MILLS LEVIED	TAXES ASSESSED	TAXES RETURNED DELINQUENT	TAXES COLLECTED
Grand Traverse County	1,167,285	5.0154	\$ 5,854	\$ 353	\$ 5,501
Medical Care	1,167,285	0.6725	785	0	785
Bay Area Transportation Authority	1,167,285	0.338	395	0	395
Grand Traverse County Commission on Aging	1,167,285	0.4955	578	0	578
Traverse City District Library Operating	1,167,285	0.974	1,137	0	1,137
Debt	1,167,285	0.185	216	0	216
Northwestern Michigan College Voted	1,167,285	1.3752	1,605	0	1,605
Operating	1,167,285	0.8086	944	0	944
Debt	1,167,285	0.7300	852	0	852
Village of Kingsley	1,167,285	9.9351	11,597	290	11,307
			<u>\$ 23,963</u>	<u>\$ 643</u>	<u>\$ 23,320</u>

VILLAGE OF KINGSLEY, MICHIGAN
WATER REVENUE BONDS, SERIES 1992
FEBRUARY 28, 2007

<u>TITLE OF ISSUE</u>	Water Revenue Bonds, Series 1992		
<u>PURPOSE</u>	Defraying the cost of acquiring and constructing improvements to the Village's water supply system.		
<u>DATE OF ISSUE</u>	September 1, 1992		
<u>AMOUNT OF ISSUE</u>			\$ 410,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year	\$ 215,000		
During Current Year	25,000		240,000
<u>BALANCE OUTSTANDING</u> - February 28, 2007			<u>\$ 170,000</u>

CALL PROVISIONS Bonds maturing in the years 1993 through 2000 are not subject to redemption prior to maturity. Bonds maturing after 2001 are subject to redemption in any order of maturity on any interest payment date after October 1, 2001, at par and accrued interest plus a premium of 1% if called prior to October 1, 2005, and 1/2% thereafter.

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
April 1, 2007			5,316	5,316
October 1, 2007	6.15%	25,000	5,316	30,316
April 1, 2008			4,547	4,547
October 1, 2008	6.20%	25,000	4,547	29,547
April 1, 2009			3,773	3,773
October 1, 2009	6.25%	30,000	3,773	33,773
April 1, 2010			2,835	2,835
October 1, 2010	6.30%	30,000	2,835	32,835
April 1, 2011			1,890	1,890
October 1, 2011	6.30%	30,000	1,890	31,890
April 1, 2012			945	945
October 1, 2012	6.30%	30,000	945	30,945
		<u>\$ 170,000</u>	<u>\$ 38,612</u>	<u>\$ 208,612</u>

VILLAGE OF KINGSLEY, MICHIGAN
JUNIOR LIEN SEWER REVENUE BONDS, SERIES 2004
FEBRUARY 28, 2007

<u>TITLE OF ISSUE</u>	Village of Kingsley \$1,222,000 Junior Lien Sewer Revenue Bonds, Series 2004
<u>PURPOSE</u>	Acquisition and Construction of Improvements to the Sewer System
<u>DATE OF ISSUE</u>	May 19, 2004
<u>AMOUNT OF ISSUE</u>	\$ 1,222,000
<u>AMOUNT REDEEMED</u>	
Prior to Current Year	\$ 11,000
During Current Year	12,000
<u>BALANCE OUTSTANDING</u> - February 28, 2007	<u>23,000</u> <u>\$ 1,199,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
May 1, 2007	4.375%	12,000	26,228	38,228
November 1, 2007			25,966	25,966
May 1, 2008	4.375%	13,000	25,966	38,966
November 1, 2008			25,681	25,681
May 1, 2009	4.375%	14,000	25,681	39,681
November 1, 2009			25,375	25,375
May 1, 2010	4.375%	14,000	25,375	39,375
November 1, 2010			25,069	25,069
May 1, 2011	4.375%	15,000	25,069	40,069
November 1, 2011			24,741	24,741
May 1, 2012	4.375%	16,000	24,741	40,741
November 1, 2012			24,391	24,391
May 1, 2013	4.375%	16,000	24,391	40,391
November 1, 2013			24,041	24,041
May 1, 2014	4.375%	17,000	24,041	41,041
November 1, 2014			23,669	23,669
May 1, 2015	4.375%	18,000	23,669	41,669
November 1, 2015			23,275	23,275
May 1, 2016	4.375%	19,000	23,275	42,275

VILLAGE OF KINGSLEY, MICHIGAN
JUNIOR LIEN SEWER REVENUE BONDS, SERIES 2004
FEBRUARY 28, 2007

DUE DATES	INTEREST RATE	REQUIREMENTS		
		PRINCIPAL	INTEREST	TOTAL
November 1, 2016			22,859	22,859
May 1, 2017	4.375%	19,000	22,859	41,859
November 1, 2017			22,444	22,444
May 1, 2018	4.375%	20,000	22,444	42,444
November 1, 2018			22,006	22,006
May 1, 2019	4.375%	21,000	22,006	43,006
November 1, 2019			21,547	21,547
May 1, 2020	4.375%	22,000	21,547	43,547
November 1, 2020			21,066	21,066
May 1, 2021	4.375%	23,000	21,066	44,066
November 1, 2021			20,563	20,563
May 1, 2022	4.375%	24,000	20,563	44,563
November 1, 2022			20,038	20,038
May 1, 2023	4.375%	25,000	20,038	45,038
November 1, 2023			19,491	19,491
May 1, 2024	4.375%	26,000	19,491	45,491
November 1, 2024			18,922	18,922
May 1, 2025	4.375%	27,000	18,922	45,922
November 1, 2025			18,331	18,331
May 1, 2026	4.375%	29,000	18,331	47,331
November 1, 2026			17,697	17,697
May 1, 2027	4.375%	30,000	17,697	47,697
November 1, 2027			17,041	17,041
May 1, 2028	4.375%	31,000	17,041	48,041
November 1, 2028			16,363	16,363
May 1, 2029	4.375%	33,000	16,363	49,363
November 1, 2029			15,641	15,641
May 1, 2030	4.375%	34,000	15,641	49,641
November 1, 2030			14,897	14,897
May 1, 2031	4.375%	36,000	14,897	50,897
November 1, 2031			14,109	14,109
May 1, 2032	4.375%	37,000	14,109	51,109
November 1, 2032			13,300	13,300
May 1, 2033	4.375%	39,000	13,300	52,300
November 1, 2033			12,447	12,447
May 1, 2034	4.375%	41,000	12,447	53,447
November 1, 2034			11,550	11,550

VILLAGE OF KINGSLEY, MICHIGAN
JUNIOR LIEN SEWER REVENUE BONDS, SERIES 2004
FEBRUARY 28, 2007

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
May 1, 2035	4.375%	43,000	11,550	54,550
November 1, 2035			10,609	10,609
May 1, 2036	4.375%	45,000	10,609	55,609
November 1, 2036			9,625	9,625
May 1, 2037	4.375%	47,000	9,625	56,625
November 1, 2037			8,597	8,597
May 1, 2038	4.375%	49,000	8,597	57,597
November 1, 2038			7,525	7,525
May 1, 2039	4.375%	51,000	7,525	58,525
November 1, 2039			6,409	6,409
May 1, 2040	4.375%	53,000	6,409	59,409
November 1, 2040			5,250	5,250
May 1, 2041	4.375%	56,000	5,250	61,250
November 1, 2041			4,025	4,025
May 1, 2042	4.375%	58,000	4,025	62,025
November 1, 2042			2,756	2,756
May 1, 2043	4.375%	61,000	2,756	63,756
November 1, 2043			1,422	1,422
May 1, 2044	4.375%	65,000	1,422	66,422
		<u>\$ 1,199,000</u>	<u>\$ 1,263,704</u>	<u>\$ 2,462,704</u>

VILLAGE OF KINGSLEY, MICHIGAN
JUNIOR LIEN WATER REVENUE BONDS, SERIES 2005
FEBRUARY 28, 2007

<u>TITLE OF ISSUE</u>	Junior Lien Water Revenue Bonds, Series 2005		
<u>PURPOSE</u>	Acquisition and construction of Improvements to the Public Water Supply System		
<u>DATE OF ISSUE</u>	August 16, 2005		
<u>AMOUNT OF ISSUE</u>			\$ 250,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year		\$ 0	
During Current Year		0	0
<u>BALANCE OUTSTANDING</u> - February 28, 2007			<u>\$ 250,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
April 1, 2007			5,517	5,517
October 1, 2007			5,517	5,517
April 1, 2008			5,517	5,517
October 1, 2008			5,517	5,517
April 1, 2009			5,517	5,517
October 1, 2009	3.35%	5,000	5,517	10,517
April 1, 2010			5,433	5,433
October 1, 2010	3.50%	5,000	5,433	10,433
April 1, 2011			5,345	5,345
October 1, 2011	3.60%	5,000	5,345	10,345
April 1, 2012			5,255	5,255
October 1, 2012	3.80%	5,000	5,255	10,255
April 1, 2013			5,160	5,160
October 1, 2013	3.95%	15,000	5,160	20,160
April 1, 2014			4,864	4,864
October 1, 2014	4.05%	15,000	4,864	19,864
April 1, 2015			4,560	4,560
October 1, 2015	4.15%	20,000	4,560	24,560
April 1, 2016			4,145	4,145
October 1, 2016	4.25%	20,000	4,145	24,145
April 1, 2017			3,720	3,720
October 1, 2017	4.30%	20,000	3,720	23,720
April 1, 2018			3,290	3,290
October 1, 2018	4.40%	20,000	3,290	23,290
April 1, 2019			2,850	2,850

VILLAGE OF KINGSLEY, MICHIGAN
JUNIOR LIEN WATER REVENUE BONDS, SERIES 2005
FEBRUARY 28, 2007

October 1, 2019	4.50%	20,000	2,850	22,850
April 1, 2020			2,400	2,400
October 1, 2020	4.60%	20,000	2,400	22,400
April 1, 2021			1,940	1,940
October 1, 2021	4.70%	20,000	1,940	21,940
April 1, 2022			1,470	1,470
October 1, 2022	4.80%	20,000	1,470	21,470
April 1, 2023			990	990
October 1, 2023	4.90%	20,000	990	20,990
April 1, 2024			500	500
October 1, 2024	5.00%	20,000	500	20,500
		<u>\$ 250,000</u>	<u>\$ 136,946</u>	<u>\$ 386,946</u>

VILLAGE OF KINGSLEY, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY TAX INCREMENT BONDS, SERIES 2006
FEBRUARY 28, 2007

TITLE OF ISSUE Village of Kingsley Downtown Development Authority
\$230,000 Tax Increment Bond, Series 2006

PURPOSE Streetscape improvements to South Brownson Street

DATE OF ISSUE June 27, 2006

AMOUNT OF ISSUE \$ 230,000

AMOUNT REDEEMED

Prior to Current Year	\$	0	
During Current Year		0	0
<u>BALANCE OUTSTANDING</u> - February 28, 2007		0	\$ 230,000

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
June 1, 2007	3.800%	5,000	4,935	9,935
December 1, 2007			4,840	4,840
June 1, 2008	3.800%	5,000	4,840	9,840
December 1, 2008			4,745	4,745
June 1, 2009	3.900%	5,000	4,745	9,745
December 1, 2009			4,648	4,648
June 1, 2010	3.900%	10,000	4,647	14,647
December 1, 2010			4,453	4,453
June 1, 2011	4.000%	10,000	4,452	14,452
December 1, 2011			4,253	4,253
June 1, 2012	4.000%	10,000	4,252	14,252
December 1, 2012			4,053	4,053
June 1, 2013	4.000%	10,000	4,052	14,052
December 1, 2013			3,853	3,853
June 1, 2014	4.100%	10,000	3,852	13,852
December 1, 2014			3,648	3,648
June 1, 2015	4.100%	10,000	3,647	13,647
December 1, 2015			3,443	3,443
June 1, 2016	4.100%	10,000	3,442	13,442

DUE DATES	INTEREST RATE	REQUIREMENTS		
		PRINCIPAL	INTEREST	TOTAL
December 1, 2016			3,238	3,238
June 1, 2017	4.200%	15,000	3,237	18,237
December 1, 2017			2,923	2,923
June 1, 2018	4.200%	15,000	2,922	17,922
December 1, 2018			2,608	2,608
June 1, 2019	4.300%	15,000	2,607	17,607
December 1, 2019			2,285	2,285
June 1, 2020	4.300%	15,000	2,285	17,285
December 1, 2020			1,963	1,963
June 1, 2021	4.400%	15,000	1,962	16,962
December 1, 2021			1,633	1,633
June 1, 2022	4.500%	15,000	1,632	16,632
December 1, 2022			1,295	1,295
June 1, 2023	4.600%	15,000	1,295	16,295
December 1, 2023			950	950
June 1, 2024	4.700%	20,000	950	20,950
December 1, 2024			480	480
June 1, 2025	4.800%	20,000	480	20,480
December 1, 2025			0	0
		\$ 230,000	\$ 115,545	\$ 345,545

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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May 8, 2007

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Mayor and Village Council
Village of Kingsley, Michigan

We have audited the financial statements of the Village of Kingsley as of and for the year ended February 28, 2007, and have issued our report thereon dated May 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Kingsley's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Kingsley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses, 2007-A and 2007-B, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Kingsley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Village of Kingsley in a separate letter dated May 8, 2007.

The Village of Kingsley's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village of Kingsley's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Village Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

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May 8, 2007

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Mayor and Village Council
Village of Kingsley, Michigan

Compliance

We have audited the compliance of the Village of Kingsley with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended February 28, 2007. The Village of Kingsley's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Village of Kingsley's management. Our responsibility is to express an opinion on the Village of Kingsley's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Kingsley's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Village of Kingsley's compliance with those requirements.

In our opinion, the Village of Kingsley complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended February 28, 2007.

Internal Control Over Compliance

The management of the Village of Kingsley is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Kingsley's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. The Village of Kingsley's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Village of Kingsley's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Village Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

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VILLAGE OF KINGSLEY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED FEBRUARY 28, 2007

	FEDERAL CFDA NUMBER	ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. Department of Housing and Urban Development			
Community Planning and Development			
Pass-through Program from:			
Michigan Economic Development Corporation			
Title I of the Housing and			
Community Development			
Act of 1974	14.228	MSC 203077-PW	\$ 376,826
		MSC 204048-PW	<u>755,655</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 1,132,481</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS			<u><u>\$ 1,132,481</u></u>

VILLAGE OF KINGSLEY, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2007

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Village of Kingsley, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

VILLAGE OF KINGSLEY, MICHIGAN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED FEBRUARY 28, 2007

There were no prior audit findings.

VILLAGE OF KINGSLEY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED FEBRUARY 28, 2007

Section I - Summary of Auditors= Results

Financial Statements

Type of auditors' report issued: Unqualified

! Material weakness(es) identified: X Yes No

! Significant deficiencies identified that are not considered to be material weaknesses? Yes X

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

! Material weakness(es) identified: Yes X No

! Significant deficiencies identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

2007-A

Significant Deficiency:

Ability to Prepare Financial Statements

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Village's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records),

and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Village has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Village's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot, by definition be considered a part of the government's *internal* controls. This condition was caused by the Village's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Village to perform this task internally.

Corrective Action Plan

The Village plans to continue relying on its external auditors to prepare the financial statements.

2007 – B

Significant Deficiency:

Utility Accounts Receivable not Reconciled to Sub Ledger

Balances from the utilities billing software are not being reconciled to the related accounts receivable control accounts in the General Fund, Water Fund and Sewer Fund. The account balances in each funds general ledger should be reconciled to the aged accounts receivable report generated by the billing software on a monthly basis to ensure that all billing and collection transactions are being recorded properly. Care must be taken that the same cutoff is used for depositing and recording the receipts in the general ledgers as is used for posting transactions to the billing program.

Corrective Action Plan

The Village will obtain assistance and training in reconciling these balances.

Section III - Federal Award Findings and Questioned Costs

None

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May 8, 2007

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

To the President and Village Council
Village of Kingsley
Kingsley, Michigan

In planning and performing our audit of the financial statements of the governmental activities, business type activities and each major fund of the Village of Kingsley, Michigan as of and for the year ended February 28, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Kingsley's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be a significant deficiencies in internal control.

The relatively small number of people involved in the accounting functions of the Village and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

Balances from the utilities billing software are not being reconciled to the related accounts receivable control account balances in the Water and Sewer Funds. The account balances in these funds general ledgers should be reconciled to the aged accounts receivable report generated by the billing software on a monthly basis to ensure that all billing and collection transactions are being recorded properly. Care must be taken that the same cutoff date is used for depositing and recording receipts in the general ledgers as is used for posting transactions to the billing program.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the Village's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Village has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Village's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot, by definition, be considered a part of the government's *internal* controls. This condition was caused by the Village's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Village to perform this task internally.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control. We believe that the deficiencies described above are material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

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May 8, 2007

To the President and Village Council
Village of Kingsley
Kingsley, Michigan

During the course of our examination of the financial statements and records of the Village of Kingsley, Michigan, for the year ended February 28, 2007, we noted the following items which we would like to bring to your attention:

Oil, Gas and Mineral Trust Fund and Parks and Recreation Fund Records

When the two funds were originally set up on Peachtree, the wrong fiscal year end was specified. As a result, the general ledgers are maintained on a February 1, to January 31, fiscal year instead of the March 1, to February 28, fiscal year for all of the other Village Funds. This necessitates making journal entries each year to convert the general ledger numbers to the proper fiscal year end. We recommend that these funds be set up with the proper year end in Peachtree. This is a fairly simple process of creating a new fund, copying the charts of accounts from the old funds and entering the correct March 1, beginning balances. We are available to assist with that process, as a separate engagement, if necessary.

1992 Water Revenue Bonds

The Village should consider paying off the 1992 Water Revenue Bonds. The interest rate on the bonds is 6.3% which is more than the Village is earning on its investments in the Water Fund. There is sufficient cash available to pay the bonds off.

We wish to express our appreciation for the cooperation and courtesy extended to our staff by the various Village employees during the course of our examination. In addition, we would like to thank the Village Council for giving us this opportunity to serve you. If you have any questions relative to the preceding comments and recommendations, or other areas of your annual audit, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.